TAIFLEX SCIENTIFIC COMPANY LIMITED

AND SUBSIDIARIES

Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

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Notice to Readers

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

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Taiflex Scientific Company Limited as of and for the year ended December 31, 2019, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, Taiflex Scientific Company Limited does not prepare a separate set of combined financial statements.

Very truly yours,
Taiflex Scientific Company Limited
By

Ta-Wen Sun
Chairperson
February 26, 2020

Independent Auditors' Report

To Taiflex Scientific Co., Ltd.

Audit opinion

We have audited the consolidated balance sheets of Taiflex Scientific Co., Ltd. and subsidiaries (hereinafter referred to as "Taiflex Group") as of December 31, 2019 and 2018; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended , and notes to consolidated financial statements (including summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Taiflex Group as of December 31, 2019 and 2018, and its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission with effective dates.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our CPAs will further explain the responsibilities auditors shall execute during the audit of consolidated financial statements under the above principles below. We are independent of Taiflex Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other responsibilities under the Norm. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Key audit matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of Taiflex Group for the year ended December 31, 2019 based on our professional judgment. These items have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these items. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Impairment of receivables

    Net receivables generated from the selling of flexible copper-clad laminate and cover layer amounted to NT$3,340,170 thousand and accounted for 31% of Taiflex Group's consolidated total assets as of December 31, 2019. Hence, it was considered a material item to the Group. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

    Our audit procedures included, but not limited to, the assessment on the appropriateness of expected credit loss rate for receivables, i.e. tests on the effectiveness of internal control established by the management for receivables, random selection of customers for receivable confirmations, and verification of subsequent collections in order to assess the recoverability of receivables. We tested the accuracy of aging, analyzed changes in aging, and assessed the reasonableness of receivables with longer collection terms.

We also considered the appropriateness of disclosures on receivables and associated risks in Notes 5 and 6 to the consolidated financial statements.

2. Inventory valuation

As of December 31, 2019, net inventories of flexible copper-clad laminate and cover layer amounted to NT$938,566 thousand; thus, it was a significant item to Taiflex Group. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

Our audit procedures included, but not limited to, tests on the effectiveness of internal control established by the management for inventories, such as cost carryover of inventories and assessment on inventory status, evaluation on management's stocktaking plans, and on-site observation of stocktaking at major warehouses to ensure the quantities and conditions of inventories. We assessed the accuracy of inventory aging, analyzed movements in inventory aging, and considered the expected demand and market value of inventories. We evaluated management's analyses and assessments on obsolete inventories, including the estimations on the possibility of inventory realization and net realizable value, and tested whether the allowance for writing down inventories to their net realizable value was adequate.

We also considered the appropriateness of disclosures on inventories in Notes 5 and 6 to the consolidated financial statements.

Responsibilities of management and governance bodies for the consolidated financial statements

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRICs, and SICs endorsed by the Financial Supervisory Commission with effective dates, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Taiflex Group in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Taiflex Group or cease the operations, or has no realistic alternative but to do so.

The governance bodies of Taiflex Group (including Audit Committee) are responsible for supervising the financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. 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. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.

2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiflex Group's internal control.

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.

4. Based on the audit evidence obtained, we conclude on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need 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 result in Taiflex Group ceasing to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately represent the underlying transactions and events.

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Taiflex Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex Group's consolidated financial statements for the year ended December 31, 2019. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Others

Taiflex Scientific Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2019 and 2018, which we had audited and issued an unqualified opinion.

Ernst & Young, Taiwan

February 26, 2020

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2019	December 31, 2018
Current assets			
Cash and cash equivalents	4, 6(1)	$ 2,584,521	$ 1,862,586
Financial assets at fair value through profit or loss - current	4, 6(2)	38,131	36,438
Financial assets at amortized cost - current	4, 6(3)	49,000	-
Notes receivable, net	4, 6(4)	748,651	1,218,019
Accounts receivable, net	4, 6(5)	2,591,519	3,678,098
Other receivables		27,476	54,605
Inventories, net	4, 6(6)	938,566	1,464,307
Prepayments		127,932	85,594
Non-current assets held for sale	4, 6(7)	473,439	-
Other current assets	8	22,658	25,412
Total current assets		7,601,893	8,425,059
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	-	-
Investments accounted for under the equity method	4, 6(9)	49,470	51,470
Property, plant and equipment	4, 6(10)	2,993,090	3,020,888
Right-of-use assets	4, 6(23)	379,444	-
Intangible assets	4, 6(11,13)	127,107	114,708
Deferred income tax assets	4, 6(26)	205,308	157,314
Other non-current assets	4, 6(12)	17,669	172,451
Total non-current assets		3,772,088	3,516,831
Total assets		$ 11,373,981	$ 11,941,890

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2019	December 31, 2018
Current liabilities			
Short-term loans	6(14)	$ 740,000	$ 1,362,054
Financial liabilities at fair value through profit or loss - current	4, 6(15)	344	2,656
Contract liabilities – current	4, 6(21)	1,084	2,372
Notes payable		358	65,772
Accounts payable		833,240	1,672,749
Other payables		555,656	640,267
Current income tax liabilities	4, 6(26)	135,929	194,512
Lease liabilities - current	4, 6(23)	15,744	-
Current portion of long-term loans	6(16)	11,009	12,258
Lease payable - current	6(17)	-	758
Other current liabilities		2,470	6,062
Total current liabilities		2,295,834	3,959,460
Non-current liabilities			
Long-term loans	6(16)	923,556	329,674
Deferred income tax liabilities	4, 6(26)	114,231	130,944
Lease liabilities – non-current	4, 6(23)	252,171	-
Lease payable – non-current	6(17)	-	1,685
Net defined benefit liabilities - non-current	4, 6(18)	219,550	138,423
Other non-current liabilities	4, 12	216,029	255
Total non-current liabilities		1,725,537	600,981
Total liabilities		4,021,371	4,560,441
Equity attributable to shareholders of the parent			
Capital	6(19)		
Common stock		2,091,197	2,091,197
Capital surplus	6(19)	1,342,759	1,446,639
Retained earnings			
Legal capital reserve		882,821	815,590
Special capital reserve		166,117	75,546
Unappropriated earnings		2,994,142	2,999,383
Total retained earnings		4,043,080	3,890,519
Others	4	(230,993)	(166,117)
Total equity attributable to shareholders of the parent		7,246,043	7,262,238
Non-controlling interests	4, 6(19)	106,567	119,211
Total equity		7,352,610	7,381,449
Total liabilities and equity		$ 11,373,981	$ 11,941,890

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	Notes	2019	2018
Net revenue	4, 6(21)	$ 7,583,654	$ 9,643,051
Cost of revenue	4, 6(6)	(5,844,516)	(7,650,007)
Gross profit		1,739,138	1,993,044
Operating expenses	4, 6(24)		
Sales and marketing expenses		(374,759)	(445,484)
General and administrative expenses		(361,941)	(450,461)
Research and development expenses		(284,486)	(264,278)
Reversal of expected credit loss	6(22)	22,835	136,144
Total operating expenses		(998,351)	(1,024,079)
Operating income		740,787	968,965
Non-operating income and expenses	6(25)		
Other income		230,986	40,828
Other gains and losses		(142,015)	(111,328)
Finance costs		(19,716)	(49,589)
Share of profit or loss of associates accounted for under the equity method	4, 6(9)	(17,588)	19,666
Total non-operating income and expenses		51,667	(100,423)
Income before income tax		792,454	868,542
Income tax expense	4, 6(26)	(174,172)	(189,068)
Net income of continuing operations		618,282	679,474
Net income		618,282	679,474
Other comprehensive income (loss)	6(25)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		(74,851)	55,488
Income tax related to components of other comprehensive income that will not be reclassified subsequently		14,970	(11,098)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(81,400)	(86,077)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss		16,279	19,368
Total other comprehensive income, net of tax		(125,002)	(22,319)
Total comprehensive income		$ 493,280	$ 657,155
Net income attributable to:	4, 6(27)		
Shareholders of the parent		$ 630,681	$ 672,309
Non-controlling interests		(12,399)	7,165
		$ 618,282	$ 679,474
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		$ 505,924	$ 650,156
Non-controlling interests		(12,644)	6,999
		$ 493,280	$ 657,155
Earnings per share (NT$)	4, 6(27)		
Earnings per share - basic		$ 3.02	$ 3.22
Earnings per share - diluted		$ 3.00	$ 3.18

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
				Retained Earnings			Others				
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2018	$ 2,087,802	$ 665	$1,441,339	$ 742,131	$ 102,158	$2,845,730	$ (92,974)	$ -	$ 7,126,851	$ 112,212	$ 7,239,063
Effect of retrospective application						6,600		(6,600)	-		-
Adjusted balance as of January 1, 2018	2,087,802	665	1,441,339	742,131	102,158	2,852,330	(92,974)	(6,600)	7,126,851	112,212	7,239,063
Appropriation and distribution of 2017 earnings											
Legal capital reserve				73,459		(73,459)			-		-
Cash dividends for common stocks						(522,799)			(522,799)		(522,799)
Changes in other capital surplus											
Changes in associates accounted for under the equity method			(1,553)						(1,553)		(1,553)
Share-based payment	3,395	(665)	6,853						9,583		9,583
Reversal of special capital reserve					(26,612)	26,612			-		-
Net income for the year ended December 31, 2018						672,309			672,309	7,165	679,474
Other comprehensive income (loss) for the year ended December 31, 2018						44,390	(66,543)		(22,153)	(166)	(22,319)
Total comprehensive income	-	-	-	-	-	716,699	(66,543)	-	650,156	6,999	657,155
Balance as of December 31, 2018	$ 2,091,197	$ -	$1,446,639	$ 815,590	$ 75,546	$ 2,999,383	$ (159,517)	$ (6,600)	$ 7,262,238	$ 119,211	$ 7,381,449
Balance as of January 1, 2019	$ 2,091,197	$ -	$1,446,639	$ 815,590	$ 75,546	$ 2,999,383	$ (159,517)	$ (6,600)	$ 7,262,238	$ 119,211	$ 7,381,449
Appropriation and distribution of 2018 earnings											
Legal capital reserve				67,231		(67,231)			-		-
Special capital reserve					90,571	(90,571)			-		
Cash dividends for common stocks						(418,239)			(418,239)		(418,239)
Changes in other capital surplus											
Changes in associates accounted for under the equity method			680						680		680
Cash dividends from capital surplus			(104,560)						(104,560)		(104,560)
Net income for the year ended December 31, 2019						630,681			630,681	(12,399)	618,282
Other comprehensive income (loss) for the year ended December 31, 2019						(59,881)	(64,876)		(124,757)	(245)	(125,002)
Total comprehensive income	-	-	-	-	-	570,800	(64,876)	-	505,924	(12,644)	493,280
Balance as of December 31, 2019	$ 2,091,197	$ -	$1,342,759	$ 882,821	$ 166,117	$2,994,142	$ (224,393)	$ (6,600)	$ 7,246,043	$ 106,567	$ 7,352,610

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 792,454	$ 868,542
Adjustments:		
Non-cash income and expense items:		
Depreciation	325,804	291,462
Amortization	23,972	28,815
Reversal of expected credit loss	(22,835)	(136,144)
Net gain on financial assets (liabilities) at fair value through profit or loss	(12,226)	(7,215)
Interest expense	19,716	49,589
Interest income	(14,961)	(20,534)
Share of loss (profit) of associates accounted for under the equity method	17,588	(19,666)
Loss (gain) on disposal of property, plant and equipment	27,217	(856)
Gain on liquidation of subsidiaries	-	(35,761)
Impairment loss for non-financial assets	18,005	-
Gain on reversal of impairment loss for non-financial assets	-	(31,518)
Others	(1,939)	79,259
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	8,221	(22,455)
Decrease in notes receivable	469,368	809,759
Decrease (increase) in accounts receivable	1,108,045	(792,315)
Decrease in other receivables	25,837	2,428
Decrease in inventories	527,966	82,720
(Increase) decrease in prepayments	(45,315)	10,036
Decrease in other current assets	2,372	1,393
Increase in other non-current assets	1,833	(888)
Decrease in contract liabilities	(1,288)	(199)
(Decrease) increase in notes payable	(65,414)	65,448
Decrease in accounts payable	(839,509)	(743,783)
Decrease in other payables	(108,648)	(10,391)
(Decrease) increase in other current liabilities	(3,592)	2,761
Increase in net defined benefit liabilities	6,276	9,787
Cash generated from operations	2,258,947	480,274
Interest received	16,253	19,366
Interest paid	(14,989)	(50,153)
Income tax paid	(266,383)	(175,367)
Net cash generated by operating activities	1,993,828	274,120

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	$ (49,000)	$ -
Acquisition of investments accounted for under the equity method	(16,182)	-
Acquisition of property, plant and equipment	(787,792)	(464,333)
Disposal of property, plant and equipment	18,310	1,661
Decrease in refundable deposits	390	7,221
Acquisition of intangible assets	(25,839)	(10,448)
Increase in other current assets - other financial assets - current	-	(59)
Decrease in other current assets - other financial assets - current	382	-
Increase in other non-current assets	-	(119,009)
Dividends received	1,444	-
Net cash used in investing activities	(858,287)	(584,967)
Cash flows from financing activities:		
Increase in short-term loans	-	705,458
Decrease in short-term loans	(622,054)	-
Increase in long-term loans	592,633	86,236
Increase in guarantee deposits received	215,774	-
Decrease in lease payable	-	(1,036)
Repayment of lease principal	(22,827)	-
Distribution of cash dividends	(522,799)	(522,799)
Exercise of employee stock options	-	9,583
Net cash (used in) generated by financing activities	(359,273)	277,442
Effect of exchange rate changes on cash and cash equivalents	(54,333)	(38,285)
Net increase (decrease) in cash and cash equivalents	721,935	(71,690)
Cash and cash equivalents at beginning of period	1,862,586	1,934,276
Cash and cash equivalents at end of period	$ 2,584,521	$ 1,862,586

(Concluded)

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

1. History and Organization

Taiflex Scientific Company Limited (the "Company") was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate, cover layer and PV module backsheet. The shares of the Company commenced trading on Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2019 and 2018 were approved and authorized for issue in the Board of Directors' meeting on February 26, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2019. The first-time adoption does not have any material impact on the Group except for the following descriptions on the nature and the impact of the newly issued or revised standards and interpretations:

A. IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

The Group adopts the transitional provisions of IFRS 16 and the initial application date is January 1, 2019. The impact of first-time adoption of IFRS 16 is as follows:

(a) Please refer to Note 4 for accounting policies adopted by the Group after and prior to January 1, 2019.

(b) Definition of leases: The Group elects not to reevaluate whether contracts are (or contain) leases on January 1, 2019. Contracts previously identified as leases under IAS 17 and IFRS 4 are now subject to IFRS 16. For contracts previously identified as not containing leases under IAS 17 and IFRS 4, IFRS 16 does not apply. In other words, the Group applies IFRS 16 only to contracts entered into (or amended) after January 1, 2019 to determine whether they are (or contain) leases. Comparing to IAS 17, IFRS 16 stipulates that if a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease. The adoption of new definition for leases will not have a significant effect on the Group's assessment of whether the contracts are (or contain) leases in most circumstances.

(c) The Group being a lessee: The Group elects not to restate the comparative information in accordance with the transitional provisions of IFRS 16 and recognizes cumulative effect of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, if appropriate) on January 1, 2019.

i. Leases classified as operating lease previously

The Group measures leases classified as operating leases under IAS 17 by the present value of remaining lease payments (discounted using the incremental borrowing rate of lessee as of January 1, 2019) and recognizes lease liabilities on January 1, 2019. In addition, the right-of-use assets are measured and recognized on a lease-by-lease basis using one of the following amounts:

(i) the carrying amount of the right-of-use assets as if IFRS 16 has applied since the beginning of leases. However, the amount shall be discounted by the incremental borrowing rate of lessee as of January 1, 2019, or

(ii) the amount of lease liabilities, adjusted for all prepaid or accrued lease payments associated with the leases (recognized in the balance sheets immediately before January 1, 2019).

The Group's right-of-use assets and lease liabilities increased by NT$271,336 thousand and NT$271,336 thousand, respectively, on January 1, 2019.

Also, for operating leases under IAS 17 where rents are paid in full, the long-term prepaid rents of NT$140,351 thousand were reclassified to right-of-use assets on January 1, 2019.

The Group adopts the transitional provisions of IFRS 16 and applies the following practical expedients to leases previously classified as operating leases on a lease-by-lease basis:

(i) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

(ii) Use the assessment of whether the leases are onerous immediately before January 1, 2019 as an alternative for impairment assessment

(iii) Elect to account for leases terminating within 12 months from January 1, 2019 as short-term leases.

(iv) Initial direct costs are excluded from the measurement of right-of-use assets as of January 1, 2019.

(v) Use hindsight on matters such as determining the lease term (if the contract contains options to extend or terminate the lease).

ii. Leases classified as finance lease previously

For leases classified as finance leases under IAS 17, the Group reclassified lease assets of NT$2,245 thousand and lease payable of NT$2,443 thousand recognized previously under IAS 17 to right-of-use assets of NT$2,245 thousand and lease liabilities of NT$2,443 thousand, respectively, on January 1, 2019.

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

iii. Please refer to Notes 4 and 6 for additional disclosures on lessee as required under IFRS 16.

iv. The impact of first-time adoption of IFRS 16 on financial statements as of January 1, 2019 was as follows:

(i) The weighted average incremental borrowing rate of lessee applied to lease liabilities on the balance sheet as of January 1, 2019 was 1.797% ~ 3.500%.

(ii) Explanations on the difference between operating lease commitments disclosed under IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate as of January 1, 2019, and lease liabilities recognized on the balance sheet as of January 1, 2019 were as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	$ 84,490
Discounted using the incremental borrowing rate as of January 1, 2019	74,425
Add: Lease payable as of December 31, 2018	2,443
Add: Adjustments as it is reasonably certain that the option to extend and to terminate a lease will be exercised	196,911
Lease liabilities as of January 1, 2019	$ 273,779

(d) No adjustments are performed for the Group being a lessor. Please refer to Notes 4 and 6 for additional disclosures on lessor.

(2) The Group has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	Projects of New or Amended Standards or Interpretations	Effective Date
IFRS 3	Definition of a Business	January 1, 2020
IAS 1 and IAS 8	Definition of Material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020

A. Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business under IFRS 3 “Business Combinations”, assisting enterprises in identifying whether a transaction shall be accounted for as a business combination or acquisition of assets. IFRS 3 continues to adopt market participants’ perspective in determining whether the activities or assets acquired are considered a business. Actions taken include clarifying the minimum requirements of a business, adding guidance to help enterprises assessing whether the acquisition process is material, and narrowing the definitions of a business and outputs.

B. Definition of Material (Amendments to IAS 1 and IAS 8)

Information is considered material if it can reasonably be expected that the omission, misstatement or obscurity of such information would have effect on decisions made by primary users of general-purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature and/or magnitude of information. Enterprises would determine whether the information is material based on the financial statements as a whole.

C. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments incorporate several exceptions for hedging relationship directly affected by the interest rate benchmark reform. Hedging relationship is deemed to be directly affected when uncertainties concerning the timing and amount of benchmark-based cash flows of the hedged item or hedging instruments arise due to the interest rate benchmark reform. Therefore, exceptions shall be applied to all hedging relationship directly affected by the interest rate benchmark reform.

The amendments include:

(a) Highly probable requirement

When assessing whether a prospective transaction is highly probable, an entity shall assume the interest rate on which the hedged cash flows are based would not be changed by the interest rate benchmark reform.

(b) Prospective assessment

When carrying out the prospective assessment, an entity shall assume the basis of hedged item, hedged risk and/or hedging instrument would not be changed by the interest rate benchmark reform.

(c) Retrospective assessment of IAS 39

For hedging relationship directly affected by the interest rate benchmark reform, an entity does not have to carry out the retrospective assessment under IAS 39 (i.e. assessment on whether the actual result of hedging falls between 80% to 125%).

(d) Risk component identified separately

For the hedging of a non-contractually specified benchmark component of interest rate risk, an entity only has to apply the separately identifiable requirement at the beginning of a hedging relationship.

The amendments also include rules for ceasing to apply the exceptions and disclosure requirements associated with these amendments.

The abovementioned new, revised and amended standards or interpretations are issued by IASB and endorsed by FSC to take effect for annual periods beginning on January 1, 2020. The adoption of these new, revised and amended standards and interpretations will not have a significant effect on the Group.

(3) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised and amended standards or interpretations issued by IASB but not yet endorsed by FSC:

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

No.	Projects of New or Amended Standards or Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2021
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022

Items with potential effects on the Group's financial statements due to the adoption of above standards or interpretations, which are issued by IASB but not yet endorsed by FSC, in the future periods are listed below:

A. Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The plan deals with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the loss of control over a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control over a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28. The gains or losses from the sale or contribution of assets defined as a business under IFRS 3 shall be recognized in full.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

B. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments aim at paragraphs 69 to 76 of IAS 1 "Presentation of Financial Statements" where liabilities are classified as current or non-current.

The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding paragraphs on the financial status and performance of the Group. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2019 and 2018 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed and issued into effect by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if it has:

A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

B. exposure, or rights, to variable returns from its involvement with the investee, and

C. the ability to use its power over the investee to affect its returns

When the Group directly or indirectly has less than a majority of the voting or similar rights over an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

A. the contractual arrangement with other vote holders of the investee

B. rights arising from other contractual arrangements

C. the voting rights and potential voting rights

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three control elements.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are adjusted to be in line with the accounting policies used by the Group. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

If the Group loses control of a subsidiary, it:

A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;

B. derecognizes the carrying amount of any NCI;

C. recognizes the fair value of the consideration received;

D. recognizes the fair value of any investment retained;

E. recognizes any surplus or deficit in profit or loss for the period; and

F. reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss for the period.

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership	
			2019.12.31	2018.12.31
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	66.29%	53.01%
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Material Co., Ltd. (Kunshan Taiflex)	Trading of coating materials for high polymer film and copper foil	— (Note)	— (Note)
TSC	Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	Manufacturing and selling of coating materials for high polymer film and copper foil	100.00%	100.00%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	33.71%	46.99%
Richstar	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%
Richstar	Rudong Fuzhan Scientific Co., Ltd. (Rudong Fuzhan)	Manufacturing and selling of electronic materials	100.00%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%

Note: The liquidation of Kunshan Taiflex Electronic Material Co., Ltd. was completed by August, 2018.

(4) Foreign currency transactions and translation of financial statements in foreign currencies

The Group’s consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. Each entity of the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recognized by each entity of the Group at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policies for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

In the preparation of consolidated financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The partial disposal involving the loss of control of a subsidiary that includes a foreign operation, and the partial disposal of interests in an associate or a joint arrangement that includes a foreign operation while the retained interests are financial assets that include a foreign operation are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation instead of being recognized in profit or loss. In partial disposal of an associate or a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

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

An asset is classified as current when:

A. the Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

B. the Group holds the asset primarily for the purpose of trading

C. the Group expects to realize the asset within twelve months after the reporting period

D. the asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Group expects to settle the liability in its normal operating cycle

B. the Group holds the liability primarily for the purpose of trading

C. the liability is due to be settled within twelve months after the reporting period

D. the Group 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 the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with terms equal to or less than three months).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities.

A. Recognition and measurement of financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date basis.

The Group classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(a) the business model for managing the financial assets, and

(b) the contractual cash flow characteristics of the financial assets

Financial assets measured at amortized cost

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets measured at amortized cost or other receivables on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

(a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

(b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gains or losses on such a financial asset is described below:

(a) Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.

(b) Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

B. Impairment of financial assets

The Group recognizes and measures the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Group measures expected credit loss in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

(a) at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.

(b) at an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

(c) for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) for lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

(8) Derivative financial instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading), except for derivatives that are designated effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the dates on which derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation, which is recognized in profit or loss or equity.

Where the host contracts are non-financial assets or non-financial liabilities, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

(9) Inventories

Inventories are valued at the lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials	- Actual purchase cost
Work in progress and finished goods	- Cost of direct materials, labor and manufacturing overheads allocated based on normal operating capacity. Borrowing costs are excluded.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(10) Non-current assets held for sale

For non-current assets (or disposal groups) to be classified as held for sale, they shall be available for immediate sale in their current condition subject only to usual terms and business practice, and the sale is highly probable to take place within one year. They are measured at the lower of carrying amount and fair value less costs to sell.

Once the property, plant and equipment and intangible assets are classified as held for sale, they are no longer depreciated nor amortized.

(11) Investments accounted for under the equity method

An associate is an entity over which the Group has significant influence. The Group's investment in its associate is accounted for under the equity method other than those that meet the criteria to be classified as assets held for sale.

Under the equity method, the investment in an associate is carried in the balance sheet at cost and adjusted thereafter for the Group's share of post-acquisition change in the net assets of the associate. After the carrying amount and other interests of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group.

The Group determines at each reporting date whether there is any objective evidence indicating that its investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount and the carrying value of the associate and recognizes the amount in the "share of profit or loss of associates accounted for under the equity method" in the statements of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment plus proceeds from disposal is recognized in profit or loss.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts separately as individual assets with specific useful lives and depreciation methods. The carrying amount of those parts is derecognized in accordance with the provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, the cost is recognized in the carrying amount of the plant and equipment as a replacement cost if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 to 50 years
Machinery and equipment	10 years
Hydropower equipment	5 to 20 years
Testing equipment	10 years
Right-of-use assets (Note)	2 to 50 years
Miscellaneous equipment	5 to 10 years

Note: The Group adopts IFRS 16 on January 1, 2019 and reclassifies lease assets to right-of-use assets.

An item or any significant part of property, plant and equipment initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial time period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(14) Leases

The accounting treatment from January 1, 2019 is as follows:

Based on the establishment dates of contracts, the Group assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as a lease or contains a lease. To assess if a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the following two conditions are met during the period of use:

A. Having the right to obtain substantially all of the economic benefits from the use of identified asset; and

B. Having the right to direct the use of identified asset.

The Group elects not to reevaluate whether contracts are (or contain) leases on January 1, 2019. Contracts previously identified as leases under IAS 17 and IFRS 4 are now subject to IFRS 16.

For contracts previously identified as not containing leases under IAS 17 and IFRS 4, IFRS 16 does not apply.

For contracts that are (or contain) leases, the Group accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier) would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Group would maximize the use of observable information to estimate the stand-alone price.

<u>The Group being a lessee</u>

Except for short-term leases or leases of low value assets, when the Group is a lessee to lease contracts, it recognizes right-of-use assets and lease liabilities for all leases.

On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Group would use the incremental borrowing rate of lessee. On the commencement date, lease payments for lease liabilities include the following outstanding payments which are related to the right to use the underlying asset during the lease term:

A. Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

B. Variable lease payments that are determined by an index or a rate (adopting the initial measurement of the index or rate on the commencement date);

C. Amounts expected to be paid by the lessee under residual value guarantees;

D. The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

E. Penalties to be paid for terminating the lease, if the lease term reflects that the lessee will exercise the option to terminate the lease.

After the commencement date, the Group measures lease liabilities on amortized cost basis. It increases the carrying amount of lease liabilities via the effective interest method to reflect the interest of lease liabilities. The carrying amount of lease liabilities is reduced when lease payments are made.

The Group measures right-of-use assets at cost on the commencement date. The costs of right-of-use assets include:

A. The initial measurement amount of lease liabilities;

B. All lease payments made on or before the commencement date, less any lease incentives received;

C. Any initial direct costs incurred by the lessee; and

D. The estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e. the cost model is adopted to measure the right-of-use assets.

If the underlying assets' ownership is transferred to the Group at the end of lease term, or the cost of right-of-use assets reflects the fact that the Group will exercise the purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of underlying assets' useful life. Otherwise, the Group depreciates the right-of-use assets from the commencement date to the end of underlying assets' useful life or the end of lease term, whichever is earlier.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use assets are impaired and account for any impairment loss identified.

Except for short-term leases or leases of low value assets, the Group recognizes right-of-use assets and lease liabilities on the balance sheets and lease-related depreciation and interest expenses on the statements of comprehensive income.

For short-term leases or leases of low value assets, the Group elects to adopt the straight-line basis or another systematic basis to recognize the lease payments associated with the leases as expenses during the lease terms.

The Group being a lessor

On the date the contract is established, the Group classifies each lease as an operating or finance lease. If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership, it is classified as a finance lease; otherwise, it is classified as an operating lease. On the commencement date, the Group recognizes its assets under finance leases at net investment amounts on the balance sheet as finance lease receivable.

For contracts that contain lease and non-lease components, the Group adopts IFRS 15 to allocate the considerations of contracts.

The Group adopts the straight-line basis or another systematic basis to recognize lease payments from operating leases as rent income. Variable lease payments under operating leases that are not determined by an index or a rate are recognized as rent income as incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

The useful lives of intangible assets are categorized as either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of an intangible asset with a finite useful life are reviewed at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization method or period, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

<u>In-process intangible assets - research and development costs</u>

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

A. the technical feasibility of completing the intangible asset so that it will be available for use or sale

B. its intention to complete and its ability to use or sell the asset

C. how the asset will generate future economic benefits

D. the availability of resources to complete the asset

E. the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied, i.e. the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

(16) Impairment of non-financial assets

The Group assesses whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of units), then to the other assets of the unit (or group of units) pro rata based on the carrying amount of each asset in the unit (or group of units.) Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, of which amount can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the liability due to the passage of time is recognized as a borrowing cost.

(18) Revenue recognition

The Group’s revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Group manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Group are flexible copper-clad laminate, cover layer and PV module backsheet. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivable are set at 60 to 180 days. Accounts receivables are recognized when the control over goods is transferred and the Group has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Group assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

(19) Post-employment benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the consolidated financial statements.

For the defined contribution plan, the Company would make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses. The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

A. when a plan amendment or curtailment occurs; and

B. the date when the Group recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

(20) Share-based payment transactions

The cost of equity-settled transactions between the Group and its employees is recognized based on the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions and performance are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative cost recognized for share-based payment transactions as at the beginning and end of that period is recognized as profit or loss for the period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other service or performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(21) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The additional income tax for undistributed earnings is recognized as income tax expense in the year when the distribution proposal is approved in the shareholders' meeting.

<u>Deferred income tax</u>

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

A. Where the taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, unused tax losses and carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred income tax asset is related to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries and associates. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(22) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, identifiable assets acquired and liabilities assumed are measured at fair value as at the acquisition date. For each business combination, the acquirer measures NCI either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under general and administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in acquiree's host contracts.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9 as a change in either the profit or loss or other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess amount of the aggregate of the consideration transferred and the NCI over the net fair value of the identifiable assets acquired and the liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the CGU retained.

5. Significant Accounting Judgments and Major Sources of Estimation Uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may result in significant risks for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions of those models could affect the fair value of the reported financial instruments. Please refer to Note 12 for details.

(2) Receivables – impairment loss estimate

The Group estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Group under contracts (carrying amount) and cash flows the Group expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(22) for details.

(3) Inventories

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6(6) for details.

(4) Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(18).

(5) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 6(20).

(6) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets which have not been recognized by the Group as of December 31, 2019 are disclosed in Note 6(26).

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 702	$ 688
Bank deposits	2,583,819	1,861,898
Total	$ 2,584,521	$ 1,862,586

(2) Financial assets at fair value through profit or loss – current

	December 31, 2019	December 31, 2018
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	$ 3,150	$ 13,659
- Cross-currency swap contracts	–	2,358
Stocks	34,981	20,421
Total	$ 38,131	$ 36,438

The Group's financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at amortized cost – current

	December 31, 2019	December 31, 2018
Time deposits – current	$ 49,000	$ –

Some financial assets were classified as financial assets at amortized cost by the Group and they were not pledged. Please refer to Note 12 for information concerning credit risk.

(4) Notes receivable, net

	December 31, 2019	December 31, 2018
Notes receivable, net	$ 748,651	$ 1,218,019

The Group's notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(22) for details on loss allowance and Note 12 for information concerning credit risk.

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

(5) Accounts receivable, net

	December 31, 2019	December 31, 2018
Accounts receivable	$ 2,647,687	$ 3,755,856
Less: loss allowance	(56,168)	(77,758)
Accounts receivable, net	$ 2,591,519	$ 3,678,098

A. The Group’s accounts receivables were not pledged.

B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT$2,647,687 thousand and NT$3,755,856 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6(22) for loss allowance for the years ended December 31, 2019 and 2018 and Note 12 for credit risk.

(6) Inventories, net

	December 31, 2019	December 31, 2018
Raw materials	$ 257,685	$ 572,527
Inventories in transit	46,876	81,199
Supplies	6,777	8,568
Work in process	66,861	52,921
Finished goods	322,585	426,139
Merchandise	237,782	322,953
Total	$ 938,566	$ 1,464,307

The Group recognized operating costs associated with inventories of NT$5,844,516 thousand and NT$7,650,007 thousand for the years ended December 31, 2019 and 2018, respectively. Gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT$23,364 thousand and NT$238 thousand for the years ended December 31, 2019 and 2018, respectively.

The aforementioned inventories were not pledged.

(7) Non-current assets held for sale

	December 31, 2019
Non-current assets held for sale	
Property, plant and equipment	$ 447,114
Right-of-use assets	18,545
Other non-current assets	7,780
Total	$ 473,439

The Company resolved to sold the right-of use assets, i.e. land, property, plant and equipment, and other non-current assets, of its subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., to a non-related party, the Kunshan Plant of Flexium Interconnect, Inc., in the Board of Directors’ meeting on December 12, 2019. As the sales proceeds exceeded the carrying amount of net assets, there was no impairment loss to be recognized when classifying those assets as non-current assets held for sale. As of December 31, 2019, the ownership of those assets was pending to be transferred; thus, they were classified as non-current assets held for sale.

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

(8) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2019	December 31, 2018
Equity instrument investments at fair value through other comprehensive income – non-current:		
Non-publicly traded stocks	$ —	$ —

The Group's financial assets at fair value through other comprehensive income were not pledged.

(9) Investments accounted for under the equity method

Investee	December 31, 2019 Amount	December 31, 2019 Percentage of Ownership	December 31, 2018 Amount	December 31, 2018 Percentage of Ownership
Investments in associates:				
Innovision FlexTech Corp.	$ 36,218	15.07%	$ 51,470	15.07%
Geckos Technology Corp.	13,252	31.24%	—	
Total	$ 49,470		$ 51,470	

The aforementioned investments accounted for under the equity method were not pledged.

A. The shares of profit or loss of associates accounted for under the equity method for the years ended December 31, 2019 and 2018 were as follows:

Investee	Years Ended December 31 2019	2018
Innovision FlexTech Corp.	$ (13,848)	$ 19,666
Geckos Technology Corp.	(3,740)	—
Total	$ (17,588)	$ 19,666

B. The Group accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.

C. The summarized financial information of the Group's investments in associates was as follows:

	December 31, 2019	December 31, 2018
Total assets	$ 538,417	$ 471,150
Total liabilities	$ 274,106	$ 129,608

	Years Ended December 31 2019	2018
Revenue	$ 151,006	$ 333,264
Net (loss) income	$ (108,775)	$ 72,099

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

D. For investments accounted for under the equity method, the Group recognized a gain on reversal of impairment of NT$31,518 thousand for the year ended December 31, 2018 based on the assessment of future recoverable amount.

E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach, which took into account the recent financing activities of the investees, the technology development status, companies with similar attributes, market conditions and other economic indicators. This was a level 3 fair value measurement.

(10) Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner-occupied property, plant and equipment	$ 2,993,090	

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

A. Owner-occupied property, plant and equipment (subject to IFRS 16)

	As of January 1, 2019	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2019
Cost							
Land	$ 100,843	$ −	$ −	$ −	$ −	$ −	$ 100,843
Buildings	1,692,479	7,353	−	(425,456)	−	(16,946)	1,257,430
Machinery and equipment	2,711,297	108,107	(63,686)	(40,432)	−	(14,231)	2,701,055
Hydropower equipment	485,254	3,895	(69,895)	(31,078)	−	(4,914)	383,262
Testing equipment	296,469	15,269	(7,326)	48,613	−	(878)	352,147
Miscellaneous equipment	380,600	7,281	(45,018)	14,705	−	(2,717)	354,851
Total	$ 5,666,942	$ 141,905	$ (185,925)	$ (433,648)	$ −	$ (39,686)	$ 5,149,588
Accumulated depreciation and impairment							
Buildings	$ 538,473	$ 73,038	$ −	$ (187,296)	$ −	$ (6,846)	$ 417,369
Machinery and equipment	1,787,283	164,540	(38,431)	(124,537)	18,005	(11,097)	1,795,763
Hydropower equipment	298,923	19,064	(53,128)	(32,590)	−	(3,382)	228,887
Testing equipment	145,408	28,751	(6,386)	−	−	(634)	167,139
Miscellaneous equipment	289,430	18,093	(42,453)	(70)	−	(2,287)	262,713
Total	$ 3,059,517	$ 303,486	$ (140,398)	$ (344,493)	$ 18,005	$ (24,246)	$ 2,871,871
Construction in progress and equipment awaiting inspection	411,218	670,816	−	(361,576)	−	(5,085)	715,373
Net	$ 3,018,643						$ 2,993,090

B. Property, plant and equipment (prior to the adoption of IFRS 16)

	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2018
Cost							
Land	$ 100,843	$ −	$ −	$ −	$ −	$ −	$ 100,843
Buildings	1,438,659	7,026	(213)	257,927	−	(10,920)	1,692,479
Machinery and equipment	2,552,155	62,224	(18,417)	124,453	−	(9,118)	2,711,297
Hydropower equipment	398,778	8,319	−	81,256	−	(3,099)	485,254

(Continued)

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

	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2018
Testing equipment	$ 251,175	$ 10,822	$ (2,395)	$ 37,366	$ —	$ (499)	$ 296,469
Miscellaneous equipment	363,839	10,565	(9,588)	21,654	—	(1,790)	384,680
Total	$ 5,105,449	$ 98,956	$ (30,613)	$ 522,656	$ —	$ (25,426)	$ 5,671,022
Accumulated depreciation and impairment							
Buildings	$ 472,442	$ 70,051	$ (213)	$ —	$ —	$ (3,807)	$ 538,473
Machinery and equipment	1,656,133	156,223	(18,417)	—	—	(6,656)	1,787,283
Hydropower equipment	280,635	20,304	—	—	—	(2,016)	298,923
Testing equipment	123,002	24,757	(1,968)	—	—	(383)	145,408
Miscellaneous equipment	281,807	20,127	(9,210)	—	—	(1,459)	291,265
Total	$ 2,814,019	$ 291,462	$ (29,808)	$ —	$ —	$ (14,321)	$ 3,061,352
Construction in progress and equipment awaiting inspection	585,028	350,226	—	(523,052)	—	(984)	411,218
Net	$ 2,876,458						$ 3,020,888

(Concluded)

Please refer to Note 8 for property, plant and equipment pledged.

(11) Intangible assets

	December 31, 2019	December 31, 2018
Trademarks	$ 312	$ 354
Patents	8,284	6,848
Software cost	48,730	37,725
Goodwill	69,781	69,781
Total	$ 127,107	$ 114,708

	As of January 1, 2019	Additions	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2019
Cost					
Trademarks	$ 672	$ 19	$ —	$ —	$ 691
Patents	45,022	2,314	—	—	47,336
Software cost	138,319	23,506	3,441	28	165,294
Goodwill	69,781	—	—	—	69,781
Total	$ 253,794	$ 25,839	$ 3,441	$ 28	$ 283,102
Accumulated amortization and impairment					
Trademarks	$ 318	$ 61	$ —	$ —	$ 379
Patents	38,174	878	—	—	39,052
Software cost	100,594	15,936	—	34	116,564
Total	139,086	$ 16,875	$ —	$ 34	155,995
Net	$ 114,708				$ 127,107

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

	As of January 1, 2018	Additions	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2018
Cost					
Trademarks	$ 672	$ －	$ －	$ －	$ 672
Patents	44,247	775	－	－	45,022
Software cost	128,557	9,673	396	(307)	138,319
Goodwill	69,781	－	－	－	69,781
Total	$ 243,257	$ 10,448	$ 396	$ (307)	$ 253,794
Accumulated amortization and impairment					
Trademarks	$ 258	$ 60	$ －	$ －	$ 318
Patents	36,467	1,707	－	－	38,174
Software cost	85,154	15,628	－	(188)	100,594
Total	121,879	$ 17,395	$ －	$ (188)	139,086
Net	$ 121,378				$ 114,708

(12) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rents (Land use rights)	－ (Note)	$ 137,374
Refundable deposits	$ 16,489	16,879
Other non-current assets - other	1,180	18,198
Total	$ 17,669	$ 172,451

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard’s transitional provisions.

(13) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash generating unit (CGUs), which were expected to benefit from synergies. Impairment evaluation on recoverable amount of goodwill was conducted at each year end. The recoverable amount of the CGU was determined based on value-in-use which was calculated using cash flow projections from financial budgets approved by management covering a five-year period discounted at a pre-tax rate. The projected cash flows had been updated to reflect the change in the demand of relevant products. As a result of the analysis, the Company determined that the goodwill of NT$69,781 thousand was not impaired.

Key assumptions used in value-in-use calculations

Discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU (including the time value of money and the risks specific to the asset not included in the cash flow estimates). The Group uses the pre-tax discount rate to reflect the specific risk in the operating segment.

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

Sensitivity to changes in assumptions

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(14) Short-term loans

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 740,000	$ 1,362,054

The interest rate ranges of loans were 0.76% to 1.80% and 0.74% to 3.50% and the unused short-term credit facilities amounted to NT$2,726,471 thousand and NT$3,752,222 thousand as of December 31, 2019 and 2018, respectively.

(15) Financial liabilities at fair value through profit or loss - current

	December 31, 2019	December 31, 2018
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	$ 278	$ 2,471
- Foreign exchange swap contracts	66	185
Total	$ 344	$ 2,656

(16) Long-term loans

	December 31, 2019	December 31, 2018
Secured loans	$ 34,565	$ 46,932
Revolving loans	900,000	295,000
Syndicated loans	—	—
Total	934,565	341,932
Less: current portion	(11,009)	(12,258)
Less: unamortized syndicated loan fee	—	—
Net	$ 923,556	$ 329,674

A. The interest rate ranges of loans were 0.83% to 1.79% and 0.88% to 1.97% as of December 31, 2019 and 2018, respectively.

B. Please refer to Note 8 for collateral of the long-term loans.

C. In January 2016, the Group entered into a syndicated loan agreement with ten financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$2.5 billion or the equivalent in U.S. dollars. (The Group applied to lower the loan to NT$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term was five years from the initial drawdown date, i.e. June 2016 to June 2021 and the credit term of the agreement was mid-term loans - current. During the loan term, the Group was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

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

(17) Lease payable

Some equipment of the Group was held under finance leases where the lessee had the option to purchase the equipment. The reconciliation of total future minimum lease payments and their present value was as follows:

	December 31, 2019 (Note)	December 31, 2018
Total minimum lease payments		
Less than 1 year		$ 959
1 to 5 years (excluding)		1,730
Subtotal		2,689
Less: Future financial expense		(246)
Present value of minimum lease payments		$ 2,443
Present value of minimum lease payments		
Less than 1 year		$ 758
1 to 5 years (excluding)		1,685
Total		$ 2,443

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

(18) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$25,948 thousand and NT$26,303 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

	Years Ended December 31	
Financial Statement Account	2019	2018
Operating costs	$ 3,840	$ 5,232
Sales and marketing expenses	420	598
General and administrative expenses	2,258	3,437
Research and development expenses	2,539	3,415
Total	$ 9,057	$ 12,682

C. Accumulated amounts of actuarial gain or loss recognized under other comprehensive income were as follows:

	Years Ended December 31	
	2019	2018
Beginning balance	$ 45,521	$ 101,009
Actuarial gain or loss	74,851	(55,488)
Ending balance	$ 120,372	$ 45,521

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

D. Reconciliation of defined benefit obligation at present value and plan assets at fair value was as follows:

	Years Ended December 31	
	2019	2018
Present value of defined benefit obligation	$ 243,665	$ 172,041
Fair value of plan assets	(24,115)	(33,618)
Funded status	219,550	138,423
Net defined benefit liability	$ 219,550	$ 138,423

E. Changes in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 172,041	$ 213,669
Current service cost	7,148	9,644
Interest cost	2,254	3,419
Actuarial gain or loss	75,872	(54,691)
Benefits paid	(13,650)	—
Balance, end of year	$ 243,665	$ 172,041

F. Changes in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 33,618	$ 29,545
Return on plan assets	440	472
Contributions from employer	2,686	2,804
Actuarial gain or loss	1,021	797
Benefits paid	(13,650)	—
Balance, end of year	$ 24,115	$ 33,618

G. As of December 31, 2019, the Company expects to make contributions of NT$9,861 thousand to the defined benefit plan in the following 12 months.

H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2019	December 31, 2018
Cash	100%	100%

The Company's actual returns on plan assets were NT$1,462 thousand and NT$1,269 thousand for the years ended December 31, 2019 and 2018, respectively.

The expected rate of return on plan assets is determined based on historical trend and analysts' expectations on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from local banks' two-year time deposits are also taken into consideration in determining the expected rate of return on plan assets.

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

I. The principal assumptions used in determining the Company's defined benefit plan were shown below:

	December 31, 2019	December 31, 2018
Discount rate	0.85%	1.31%
Expected rate of return on plan assets	0.85%	1.31%
Expected rate of salary increases	5.00%	3.00%

J. A 0.5% change in the discount rate would result in the following:

	Years Ended December 31			
	2019		2018	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on the aggregate current service cost and interest cost	$ –	$ (70)	$ (205)	$ 131
Effect on the present value of defined benefit obligation	(21,049)	23,343	(14,613)	16,194

K. Other information on the defined benefit plan was as follows:

	Years Ended December 31	
	2019	2018
Present value of defined benefit obligation, ending balance	$ 243,665	$ 172,041
Fair value of plan assets, ending balance	(24,115)	(33,618)
Deficit of plan, ending balance	$ 219,550	$ 138,423
Experience adjustments on plan liabilities	$ (11,066)	$ (15,345)
Experience adjustments on plan assets	$ (1,021)	$ (797)

(19) Equity

A. Capital

(a) The Company's authorized capital was NT$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants or bond with warrants), each at a par value of NT$10, as of December 31, 2019 and 2018.

(b) The Company's issued capital was NT$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT$10, as of December 31, 2019 and 2018.

B. Capital surplus

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 938,334	$ 1,042,894
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Others	112,675	111,995
Total	$ 1,342,759	$ 1,446,639

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company as stock dividends up to a certain percentage of paid-in capital. The said capital surplus could also be distributed in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of profits and dividend policies

The Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

(a) Taxes and dues.

(b) Deficit compensation.

(c) 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled total capital.

(d) Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.

(e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the Board of Directors shall draw up an earnings distribution proposal based on the distributable earnings and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

Following the adoption of IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa-1010012865 issued by the FSC on April 6, 2012, which sets out the following provisions: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

The reversal of special capital reserve set aside for the first-time adoption of IFRS to undistributed earnings due to the use, disposal or reclassification of related assets for the years ended December 31, 2019 and 2018 was as follows:

	Years Ended December 31	
	2019	2018
Beginning balance	$ 75,546	$ 102,158
Disposal of subsidiaries	—	(26,612)
Ending balance	$ 75,546	$ 75,546

Information about the appropriation of 2018 and 2017 earnings approved in the shareholders' meetings on May 29, 2019 and 2018, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT$)	
	2018	2017	2018	2017
Legal capital reserve	$ 67,231	$ 73,459	—	—
Special capital reserve	90,571	—	—	—
Cash dividends - common stocks	418,239	522,799	$ 2.00	$ 2.50

The Company's shareholders' meeting on May 29, 2019 approved to distribute NT$104,560 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT$0.5 per share.

Please refer to Note 6(24) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

D. Non-controlling interests (NCI)

	Years Ended December 31	
	2019	2018
Beginning balance	$ 119,211	$ 112,212
Net (loss) income attributable to NCI	(12,399)	7,165
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	(245)	(166)
Ending balance	$ 106,567	$ 119,211

(20) Share-based payment plans

On February 25, 2010, the Company resolved at the Board of Directors' meeting to issue 2,355 units of employee stock options. Each unit entitles an optionee to subscribe to 1,000 shares of the Company's common stock. The chairperson is authorized by the Board to set the actual grant date. If a consensus was not reached regarding all terms and conditions, the grant date would be the date when consensuses for all were reached (April 30, 2010). Settlement upon exercise of the options will be made through issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules and percentages prescribed by the plan two years from the grant date. Expense of the employee stock option plan for the year ended December 31, 2019 was NT$0 thousand.

There have been no cancellations or modifications to any of the employee stock option plans by December 31, 2019.

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

	Years Ended December 31			
	2019		2018	
Stock options	Quantity	Weighted Average Exercise Price per Share (NT$)	Quantity	Weighted Average Exercise Price per Share (NT$)
Outstanding at beginning of period	—	$ —	273	$ 35.10
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	—	—	(273)	35.10
Expired	—	—	—	—
Outstanding at end of period	—	—	—	—
Exercisable at end of period	—	—	—	—

(21) Revenue

	Years Ended December 31	
	2019	2018
Sale of goods	$ 7,583,654	$ 9,643,051

A. Contract balances:

	Years Ended December 31	
Contract liabilities - current	2019	2018
Sale of goods	$ 1,084	$ 2,372

The decrease in the balance of contract liabilities was mostly due to the satisfaction of performance obligations in 2019, of which NT$2,370 thousand was from the beginning balance and recognized as revenue during this period.

(22) (Reversal) of expected credit loss

	Years Ended December 31	
	2019	2018
Operating expenses – Reversal of expected credit loss		
Accounts receivable	$ (20,169)	$ (136,144)
Other non-current assets	(2,666)	—
Total	$ (22,835)	$ (136,144)

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of December 31, 2019 was as follows:

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

Expected credit loss of accounts receivables

December 31, 2019

	Not Past Due (Note)	Past Due: Within 90 Days	Past Due: 91-180 Days	Past Due: Over 181 Days	Total
Gross carrying amount	$ 3,254,330	$ 87,768	$ 24,357	$ 29,883	$ 3,396,338
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	20,813	3,804	4,871	26,680	56,168
Subtotal	$ 3,233,517	$ 83,964	$ 19,486	$ 3,203	$ 3,340,170

December 31, 2018

	Not Past Due (Note)	Past Due: Within 90 Days	Past Due: 91-180 Days	Past Due: Over 181 Days	Total
Gross carrying amount	$ 4,597,619	$ 250,235	$ 66,095	$ 59,926	$ 4,973,875
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	17,586	13,086	16,040	31,046	77,758
Subtotal	$ 4,580,033	$ 237,149	$ 50,055	$ 28,880	$ 4,896,117

Note: None of the Group's notes receivables was overdue.

The movements in the loss allowance for receivables in the years ended December 31, 2019 and 2018 were as follows:

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2019	$ 77,758	$ 8,291	$ 86,049
Reversal in the current period	(20,169)	(2,666)	(22,835)
Write off	(123)	(1,524)	(1,647)
Effect of exchange rate changes	(1,298)	－	(1,298)
Balance as of December 31, 2019	$ 56,168	$ 4,101	$ 60,269

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2018 (according to IFRS 9)	$ 216,495	$ 8,291	$ 224,786
Reversal in the current period	(136,144)	－	(136,144)
Write off	(1,586)	－	(1,586)
Effect of exchange rate changes	(1,007)	－	(1,007)
Balance as of December 31, 2018	$ 77,758	$ 8,291	$ 86,049

(23) Leases

A. The Group being a lessee (subject to disclosures associated with IFRS 16)

The Group leased various assets, including property (land and buildings) and transportation equipment. The lease terms of those contracts ranged between 2 to 50 years.

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

The effects of leases on the financial status, financial performance and cash flows of the Group were as follows:

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	$ 355,924	
Buildings	6,081	
Transportation equipment	17,439	
Total	$ 379,444	

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

The Group's right-of-use assets increased by NT$13,738 thousand for the year ended December 31, 2019.

ii. Lease liabilities

	December 31, 2019	December 31, 2018 (Note)
Current	$ 15,744	
Non-current	252,171	
Lease liabilities	$ 267,915	

Please refer to Note 6(25)C Finance costs for details on interest expenses of lease liabilities for the year ended December 31, 2019 and Note 12(5) Liquidity risk management for a maturity analysis on lease liabilities as of December 31, 2019.

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Years Ended December 31	
	2019	2018 (Note)
Land	$ 9,044	
Buildings	5,400	
Transportation equipment	7,874	
Total	$ 22,318	

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

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

(c) Lessee's income and expenses associated with leasing activities

	Years Ended December 31	
	2019	2018 (Note)
Expense of short-term leases	$ 16,076	
Expense of leases of low value assets (excluding short-term leases of low value assets)	888	

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

(d) Lessee's cash outflows associated with leasing activities

The Group's cash outflows from leases amounted to NT$22,827 thousand for the year ended December 31, 2019.

(e) Other information associated with leasing activities

Options to extend or terminate the lease

Some of the Group's property leases contain options to extend or terminate the leases. When determining the lease term, it shall be the non-cancellable period where the lessee has the right to use the underlying asset, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the Group is reasonably certain not to exercise that option. The use of those options can maximize the flexibility in managing the contracts. The majority of options to extend or terminate the leases can only be exercised by the Group. The Group would reassess the lease terms when a significant event or a significant change in circumstances occurs (that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term) after the commencement date.

B. The Group being a lessee – operating leases (subject to disclosures associated with IAS 17)

The Group entered into commercial property lease agreements with average duration between 1 to 10 years. Some lease agreements had renewal options.

Based on the non-cancellable operating lease agreements, total future minimum lease payments as of December 31, 2018 were as follows:

	December 31, 2018
Less than 1 year	$ 23,793
More than 1 year but less than 5 years	42,216
More than 5 years	14,481
Total	$ 84,490

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

Expenses recognized under operating leases were as follows:

	Year Ended December 31, 2018
Minimum lease payments	$ 38,603

The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

(24) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Nature	Years Ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	367,567	360,207	727,774	449,960	440,003	889,963
Labor and health insurance	38,117	28,333	66,450	45,197	28,222	73,419
Pension	20,352	14,653	35,005	22,052	16,933	38,985
Remuneration to directors	－	18,002	18,002	－	20,127	20,127
Other employee benefits expense	39,761	24,178	63,939	50,455	37,972	88,427
Depreciation	298,637	27,167	325,804	277,404	14,058	291,462
Amortization	8,575	15,397	23,972	11,214	17,601	28,815

According to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a Board of Directors' meeting attended by at least two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. Information on the compensation to employees and remuneration to directors resolved or reported at the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors' meeting, the difference would be recognized in the profit or loss of the following year.

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

Information on 2019 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 10, 2020 and 2018 compensation to employees and remuneration to directors reported in the shareholders' meeting on May 29, 2019 was as follows:

	Years Ended December 31	
	2019	2018
Compensation to employees	$ 64,632	$ 72,535
Remuneration to directors	17,673	19,834

The above-mentioned 2018 compensation to employees and remuneration to directors reported in the shareholders' meeting were consistent with the amounts resolved in the Board of Directors' meeting on January 18, 2019, and the amounts recognized as expenses in the financial statements.

(25) Non-operating income and expenses

A. Other income

	Years Ended December 31	
	2019	2018
Interest income	$ 14,961	$ 20,534
Insurance claim income (Note)	134,553	—
Other income	81,472	20,294
Total	$ 230,986	$ 40,828

Note: A fire broke out in the Group's subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., in January 2018 and parts of the plants, equipment and inventories were damaged. The insurance claim of CNY 29,500 thousand was recognized under other income and fully received in July 2019.

B. Other gains and losses

	Years Ended December 31	
	2019	2018
(Loss) gain on disposal of property, plant and equipment	$ (27,217)	$ 856
Gain on liquidation of subsidiaries	—	35,761
Foreign exchange loss, net	(106,369)	(51,256)
(Loss) gain on reversal of impairment loss for non-financial assets	(18,005)	31,518
Gain on financial assets (liabilities) at fair value through profit or loss, net	12,226	7,215
Disaster loss	—	(131,537)
Other losses	(2,650)	(3,885)
Total	$ (142,015)	$ (111,328)

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

C. Finance costs

	Years Ended December 31	
	2019	2018
Interest on bank borrowings	$ (14,097)	$ (49,248)
Interest on lease liabilities	(5,619)	–
Interest on finance leases	(Note) –	(341)
Total	$ (19,716)	$ (49,589)

Note: The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

D. Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ (74,851)	$ –	$ (74,851)	$ 14,970	$ (59,881)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(81,400)	–	(81,400)	16,279	(65,121)
Total	$ (156,251)	$ –	$ (156,251)	$ 31,249	$ (125,002)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ 55,488	$ –	$ 55,488	$ (11,098)	$ 44,390
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(86,077)	–	(86,077)	19,368	(66,709)
Total	$ (30,589)	$ –	$ (30,589)	$ 8,270	$ (22,319)

(26) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's corporate income tax rate was adjusted from 17% to 20% and the tax rate applicable to undistributed earnings was reduced from 10% to 5% starting from 2018.

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

A. The major components of income tax expense (benefit) were as follows:

Income tax recognized in profit or loss

	Years Ended December 31	
	2019	2018
Current income tax expense (benefit):		
Current income tax expense	$ 207,177	$ 255,134
Income tax adjustments on prior years	(11,039)	(3,149)
Effect of exchange rate changes	784	(204)
Deferred income tax expense (benefit):		
Income tax expense relating to origination and reversal of temporary differences	(22,750)	(77,278)
Deferred income tax relating to changes in tax rates	–	14,565
Income tax expense	$ 174,172	$ 189,068

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2019	2018
Deferred income tax expense (benefit):		
Remeasurement of defined benefit plan	$ (14,970)	$ 11,098
Exchange differences arising on translation of foreign operations	(16,279)	(19,368)
Income tax relating to components of other comprehensive income	$ (31,249)	$ (8,270)

B. The reconciliation of income tax expense and income tax based on pre-tax net income at the statutory tax rate was as follows:

	Years Ended December 31	
	2019	2018
Income before tax of continuing operations	$ 792,454	$ 868,542
Income tax expense at the statutory rate of the parent company	$ 158,491	$ 173,708
Additional profit-seeking enterprise income tax on unappropriated earnings (5% and 10% for 2019 and 2018, respectively)	7,363	15,836
Tax effects of entities at different tax jurisdictions with different tax rates	19,837	(13,580)
Income tax adjustments on prior years	(11,039)	(3,149)
Tax effects of other tax adjustments	(480)	16,253
Income tax expense recognized in profit or loss	$ 174,172	$ 189,068

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

C. Balance of deferred income tax assets (liabilities):

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 12,783	$ 5,765	$ －	$ －	$ 18,548
Allowance for inventory valuation and obsolescence loss	24,682	(8,091)	－	－	16,591
Investments accounted for under the equity method	(93,679)	28,585	16,279	(169)	(48,984)
Unrealized intra-group profits and losses	7,507	(935)	－	－	6,572
Impairment of assets	5,453	(4,133)	－	－	1,320
Allowance for doubtful accounts	14,230	(9,767)	－	－	4,463
Net defined benefit liabilities	27,684	1,256	14,970	－	43,910
Others	27,710	20,947	－	－	48,657
Deferred income tax expense		$ 33,627	$ 31,249	$ (169)	
Net deferred income tax assets (liabilities)	$ 26,370				$ 91,077
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 157,314				$ 205,308
Deferred income tax liabilities	$ 130,944				$ 114,231

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 4,424	$ 8,359	$ －	$ －	$ 12,783
Allowance for inventory valuation and obsolescence loss	20,458	4,224	－	－	24,682
Investments accounted for under the equity method	(135,758)	24,453	19,368	(1,742)	(93,679)
Unrealized intra-group profits and losses	3,667	3,840	－	－	7,507
Impairment of assets	10,613	(5,160)	－	－	5,453
Allowance for doubtful accounts	22,442	(8,212)	－	－	14,230
Net defined benefit liabilities	31,301	7,481	(11,098)	－	27,684
Others	(2,777)	30,487	－	－	27,710
Deferred income tax expense		$ 65,472	$ 8,270	$ (1,742)	
Net deferred income tax assets (liabilities)	$ (45,630)				$ 26,370
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 130,697				$ 157,314
Deferred income tax liabilities	$ 176,327				$ 130,944

D. Unrecognized deferred income tax assets:

As of December 31, 2019 and 2018, deferred income tax assets that had not been recognized by the Group amounted to NT$38,341 thousand and NT$42,371 thousand, respectively.

E. The assessment of income tax returns:

As of December 31, 2019, the income tax return assessments of the Group's entities in ROC were as follows:

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 2017
Subsidiary- Koatech Technology Corporation	Assessed and approved up to 2017

(27) Earnings per share (EPS)

	Year Ended December 31, 2019		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income attributable to common shareholders of the Company	$ 630,681	209,120	$ 3.02
Effect of dilutive potential common stocks			
Employee compensation - stock	–	1,347	
Diluted earnings per share			
Net income attributable to common shareholders of the Company and effect of potential common stocks	$ 630,681	210,467	$ 3.00

	Year Ended December 31, 2018		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income attributable to common shareholders of the Company	$ 672,309	209,084	$ 3.22
Effect of dilutive potential common stocks			
Employee compensation - stock	–	2,142	
Diluted earnings per share			
Net income attributable to common shareholders of the Company and effect of potential common stocks	$ 672,309	211,226	$ 3.18

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

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Innatech Co., Ltd. (Innatech)	A substantive related party

(2) Significant transactions with related parties

A. Other payables – related parties

	December 31, 2019	December 31, 2018
Other related parties	$ 7,932	$ 648

B. Compensation to key management of the Group

	Years Ended December 31	
	2019	2018
Short-term employee benefits	$ 71,512	$ 73,939
Post-employment benefits	564	641
Termination benefits	—	783
Total	$ 72,076	$ 75,363

8. Pledged Assets

The following table listed assets of the Group pledged as collateral:

	Carrying Amount		
	December 31, 2019	December 31, 2018	Purpose of Pledge
Time deposits (Note)	$ 20,031	$ 20,413	Customs guarantee
Land	100,843	100,843	Long-term loans
Buildings	96,750	100,749	Letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	—	12,513	Long-term loans
Total	$ 217,624	$ 234,518	

Note: These were recognized as other current assets – other.

9. Significant Contingencies and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of December 31, 2019 were as follows:

	L / C Balance	
NTD	NT$	31,122 thousand
USD	US$	3,495 thousand
JPY	JPY	30,000 thousand
EUR	EUR	2,803 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily at fair value through profit or loss	$ 38,131	$ 36,438
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	2,583,819	1,861,898
Financial assets at amortized cost	49,000	－
Receivables	3,367,646	4,950,722
Other financial assets - current	20,031	20,413

Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities at fair value through profit or loss:		
Held for trading	$ 344	$ 2,656
Financial liabilities at amortized cost:		
Short-term loans	740,000	1,362,054
Payables	1,389,254	2,378,788
Long-term loans (including current portion)	934,565	341,932
Lease payable	(Note) －	2,443
Lease liabilities	267,915	(Note) －

Note: 1. The Group adopted IFRS 16 on January 1, 2019 and chose not to restate the comparative periods in accordance with the Standard's transitional provisions.

(2) Objectives of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risks.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Group's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its variable interest rates for loans.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Group are susceptible to price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2019 and 2018 to increase/decrease by NT$1,749 thousand and NT$1,021 thousand, respectively.

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

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2019

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	－/＋ NT$18,466 thousand
	NTD/CNY appreciate/depreciate by 1%	－/＋ NT$ 2,529 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	＋/－ NT$ 959 thousand

For the year ended December 31, 2018

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	－/＋ NT$21,480 thousand
	NTD/CNY appreciate/depreciate by 1%	－/＋ NT$ 202 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	＋/－ NT$ 159 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily accounts and notes receivable) and financing activities (primarily bank deposits and various financial instruments).

Credit risk is managed by each business unit subject to the Group’s credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position and rating from credit rating agencies, past experience, current economic environment, the Group’s internal rating criteria, etc. The Group also uses some credit enhancement tools, such as prepayments or insurances, to reduce the credit risk of certain customers.

Credit risk from balances with banks and other financial instruments is managed by the Group’s finance division in accordance with the Group’s policies. The counterparties that the Group transacts with are reputable financial institutions both at home and abroad; thus, no significant credit risk is expected.

(5) Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Group’s financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount also included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2019					
Borrowings	$ 751,699	$ 698,556	$ 225,000	$ －	$ 1,675,255
Payables	1,389,254	－	－	－	1,389,254
Lease liabilities	15,744	20,167	10,069	221,935	267,915
December 31, 2018					
Borrowings	$ 1,375,895	$ 295,000	$ 34,674	$ －	$ 1,705,569
Payables	2,378,788	－	－	－	2,378,788

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2019					
Inflows	$ 809,783	$ －	$ －	$ －	$ 809,783
Outflows	$ 812,127	－	－	－	$ 812,127
Net	$ (2,344)	$ －	$ －	$ －	$ (2,344)
December 31, 2018					
Inflows	$ 526,637	$ －	$ －	$ －	$ 526,637
Outflows	$ 605,689	－	－	－	$ 605,689
Net	$ (79,052)	$ －	$ －	$ －	$ (79,052)

The derivative financial liabilities in the table above were expressed using undiscounted net cash flows.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term Loan	Long-term Loan	Lease Liability	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2019	$1,362,054	$ 341,932	$ 273,779	$ 255	$ 1,978,020
Cash flows	(622,054)	592,633	(22,827)	215,774	163,526
Non-cash movement	－	－	16,963	－	16,963
As of December 31, 2019	$ 740,000	$ 934,565	$ 267,915	$ 216,029	$ 2,158,509

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term Loan	Long-term Loan	Lease Payable	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2018	$ 656,596	$ 255,696	$ 3,138	$ 255	$ 915,685
Cash flows	705,458	86,236	(1,036)	－	790,658
Non-cash movement	－	－	341	－	341
As of December 31, 2018	$1,362,054	$ 341,932	$ 2,443	$ 255	$ 1,706,684

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation prices (e.g. listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of December 31, 2019 and 2018, the Group's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet dates were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
December 31, 2019		
Sell CNY/Buy NTD	2019.10～2020.04	CNY 102,000/NT$ 437,360
Sell USD/Buy NTD	2019.11～2020.02	US$ 11,000/NT$ 331,379
December 31, 2018		
Sell CNY/Buy USD	2018.03～2019.07	CNY 60,939/US$ 9,300
Sell CNY/Buy NTD	2018.11～2019.05	CNY 90,000/NT$ 396,597
Sell USD/Buy NTD	2018.12～2019.03	US$ 6,000/NT$ 183,577

B. Foreign exchange swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet dates were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
December 31, 2019		
Sell CNY/Buy NTD	2019.09～2020.04	CNY 9,600/NT$ 41,044
December 31, 2018		
Sell CNY/Buy NTD	2018.08～2019.04	CNY 4,200/NT$ 18,463

C. Cross-currency swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet dates were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
December 31, 2019				
None				
December 31, 2018				
Sell CNY/Buy USD	2018.01~ 2019.01	CNY 12,870/ US$ 2,000	2.82%~4.10%	1.70%~2.81%

For forward foreign exchange, foreign exchange swap and cross-currency swap contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 3,150	$ —	$ 3,150
Stocks	34,981	—	—	34,981

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 278	$ —	$ 278
Foreign exchange swap contracts	—	66	—	66

(Concluded)

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 13,659	$ —	$ 13,659
Cross-currency swap contracts	—	2,358	—	2,358
Stocks	20,421	—	—	20,421
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	2,471	—	2,471
Foreign exchange swap contracts	—	185	—	185

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(10) Significant financial assets and liabilities denominated in foreign currencies

Information on significant financial assets and liabilities denominated in foreign currencies was listed below:

	December 31, 2019			December 31, 2018		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 76,464	30.047	$ 2,297,500	$ 115,349	30.7220	$ 3,543,738
CNY	58,552	4.3155	252,681	4,640	4.4730	20,754
Financial liabilities						
Monetary items						
USD	$ 15,014	30.047	$ 451,124	$ 45,429	30.7220	$ 1,395,662
JPY	211,599	0.2764	58,486	192,735	0.2781	53,600

The data above was disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the years ended December 31, 2019 and 2018, the Group's foreign exchange gain (loss) amounted to NT$(106,369) thousand and NT$(51,256) thousand, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions and investees

A. Financing provided to others: Please refer to Table 1.

B. Endorsement/guarantee provided to others: Please refer to Table 2.

C. Marketable securities held as of December 31, 2019 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2019: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2019: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2019: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2019: Please refer to Table 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2019: Please refer to Table 5.

I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2019 (excluding investments in China): Please refer to Table 6.

J. Derivative financial instruments transactions: Please refer to Note 12.

K. Others: intercompany relationships and significant intercompany transactions for the year ended December 31, 2019: Please refer to Table 8.

(2) Information on investments in Mainland China: Please refer to Table 7.

14. Operating Segment Information

For management purposes, the Group is organized into operating segments based on each independent utility. The two reportable operating segments are as follows:

The general management segment is responsible for the Group's operation planning and owns manufacturing, R&D and sales functions.

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

The overseas segment owns manufacturing and sales functions.

Operating segments have not been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements. However, finance costs, financial benefits and income taxes are managed on the Group basis and are not allocated to operating segments.

(1) Segment income (loss)

For the year ended December 31, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 5,015,217	$ 2,568,437	$ —	$ 7,583,654
Inter-segment	2,168,110	51,021	(2,219,131)	—
Total revenue	$ 7,183,327	$ 2,619,458	$ (2,219,131)	$ 7,583,654
Segment income (loss) (before income tax)	$ 755,732	$ (79,293)	$ 116,015	$ 792,454

Note: Inter-segment revenues were eliminated upon consolidation.

For the year ended December 31, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	$ 5,628,299	$ 4,014,752	$ —	$ 9,643,051
Inter-segment	2,265,220	152,532	(2,417,752)	—
Total revenue	$ 7,893,519	$ 4,167,284	$ (2,417,752)	$ 9,643,051
Segment income (loss) (before income tax)	$ 886,242	$ 267,651	$ (285,351)	$ 868,542

Note: Inter-segment revenues were eliminated upon consolidation.

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

(2) Geographic information

A. Revenue from external customers:

Region	Years Ended December 31 2019		2018	
Taiwan	$	1,229,108	$	1,931,443
Mainland China		5,983,082		7,364,249
Others		371,464		347,359
Total	$	7,583,654	$	9,643,051

Revenue was categorized based on countries where customers are located.

B. Non-current assets:

Region	December 31, 2019		December 31, 2018	
Taiwan	$	3,002,519	$	2,617,315
Mainland China		769,569		899,516
Total	$	3,772,088	$	3,516,831

(3) Major customers

Customers accounted for at least 10% of the Group’s net revenue for the years ended December 31, 2019 and 2018 were as follows:

Name	Years Ended December 31 2019		2018	
Customer A	$	1,257,583	$	1,608,965
Customer B		959,503		1,161,924

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	$ 948,210	–	–	1.70%~4.00%	2	–	Operating capital	–	–	–	$ 1,449,209	$ 2,898,417	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	442,498	420,658	416,666	1.70%~4.00%	2	–	Operating capital	–	–	–	1,449,209	2,898,417	(Note 7)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	151,043	151,043	–	0%	2	–	Operating capital	–	–	–	151,049	302,098	(Note 9)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	151,043	151,043	151,043	0%	2	–	Operating capital	–	–	–	151,049	302,098	(Note 9)

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2019.

Note 4: Nature of Financing are coded as follows:
(1) Business transaction is coded "1".
(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For subsidiaries that the Company holds, either directly and indirectly, 100% of the voting rights, the financing provided to any single entity shall not exceed 20% of the financing company’s net worth in the most recent financial statements. Total financing shall not exceed 40% of the financing company’s net worth in the most recent financial statements.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS (In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	$ 3,623,022	$ 126,428	$ –	$ –	$ –	–	$ 3,623,022	Y	N	N
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	2	3,623,022	290,930	–	–	–	–		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,623,022	381,350	375,588	75,240	–	5.18%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,623,022	1,232,554	813,016	–	–	11.22%		Y	N	Y

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following seven types. Please specify the type.
(1) A company that has business relationships with Taiflex.
(2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.
(3) A company that directly or indirectly holds over 50% of Taiflex's voting rights.
(4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.
(5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.
(6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The overall amount of guarantees/endorsements shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees/endorsements to companies whose voting rights are 100% held, either directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2019.

Note 5: This refers to amounts approved by the board of directors. However, for matters delegated by the board to the chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in "Y" for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in Mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2019 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2019				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	25	—	0.30%	—	—
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	741	—	18.10%	—	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets at fair value through profit or loss - current	245	$ 34,981	0.03%	$ 34,981	—

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 "Financial Instruments".

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If measured at fair value, please fill in the carrying amount after valuation adjustment of fair value and net of accumulated impairment. If not measured at fair value, please fill in the original cost or the carrying value of amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Credit/ Payment Terms	Unit Price	Credit/ Payment Terms	Ending Balance	Percentage to Total Notes/ Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	$ 2,152,377	31.10%	180 days from end of month	—	—	$ 1,060,112	42.12%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	2,152,377	89.67%	180 days from end of month	—	—	(1,060,112)	(97.71%)	—

Note 1: The sales prices and collection terms to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	$ 1,060,112	1.80	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	438,133	(Note 1)	—	—	—	—	—

Note 1: Those receivables from related parties are recognized as other receivables; thus, turnover ratio analysis does not apply.

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	$ 704,536	$ 704,536	21,825	100.00%	$ 944,245	$ (155,743)	$ (156,465)	–
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	8,345	(2,474)	(2,474)	–
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	212,985	(26,993)	(20,169)	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	36,218	(92,140)	(13,848)	–
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	470,934	24,710	24,710	(Note 1)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	927,740	525,733	30,500	66.29%	977,510	55,884	31,057	–
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,740	156	156	–
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	9,513	871	871	–
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	16,182	–	1,562	31.24%	13,252	(16,635)	(3,740)	–
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	33.71%	497,088	55,884	24,827	–
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	755,337	(149,997)	(149,997)	–
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	14,696	(298)	(298)	–
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	14,541	(298)	(298)	–

Note 1: Including unrealized gain/loss between affiliates.
Note 2: Including amortization of property, plant and equipment.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2019	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2019	Accumulated Inward Remittances of Earnings as of December 31, 2019
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	$767,141 (US$24,000,000)	2	$ 767,141	–	–	$ 767,141	$ (149,987)	100.00%	$ (149,987)	$755,246	–
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	$927,740 (US$30,500,000)	2	525,733	$402,007	–	927,740	29,049	100.00%	29,049	925,551	–
	Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$479,160 (US$15,500,000)	2	479,160	–	–	479,160	26,870	100.00%	26,870	548,948	–
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	$28,351 (US$950,000)	2	28,351	–	–	28,351	(298)	53.86%	(161)	7,824	–

	Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
Taiflex Scientific Co., Ltd.	$2,174,041	$2,326,872	(Note 3)
Koatech Technology Corporation	$28,351	$40,318	(Note 4) $138,578

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.
(1) Direct investment in Mainland China.
(2) Investment in Mainland China through companies in the third area.
(3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains and losses:
(1) Purchase and ending balance of related payables and their weightings: see Table 4.
(2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.
(3) The transaction amount and gain or loss arising from property transactions: N/A.
(4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
(5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
(6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China” does not apply.

Note 4: The upper limit on investment is calculated as follows:
Koatech Technology Corporation: NT$230,964 thousand × 60% = NT$138,578 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	$ 29,830	General trading terms	0.39%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	2,152,377	General trading terms	28.38%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,060,112	General trading terms	9.32%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	20,221	General trading terms	0.18%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	416,666	Financing	3.66%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Purchase on behalf of others	49,819	—	0.44%

Note 1: Transaction information between the parent company and its subsidiaries shall be disclosed by codes below:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorized into the following three types. Please specify the type.

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

Note 4: This is the ending balance after evaluation.