TAIFLEX SCIENTIFIC COMPANY LIMITED

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

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Notice to Readers

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

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

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Independent Auditors' Report

To Taiflex Scientific Co., Ltd.

Audit opinion

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

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of Taiflex as of December 31, 2019 and 2018, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 parent company only financial statements under the above principles below. We are independent of Taiflex 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 parent company only financial statements of Taiflex for the year ended December 31, 2019 based on our professional judgment. These items have been covered during the audit of the overall parent company only 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$2,494,267 thousand and accounted for 23% of Taiflex's total assets as of December 31, 2019. Hence, it was considered a material item to the Company. 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 parent company only financial statements.

2. Inventory valuation

As of December 31, 2019, net inventories of flexible copper-clad laminate and cover layer amounted to NT$626,770 thousand; thus, it was a significant item to Taiflex. 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 parent company only financial statements.

Responsibilities of management and governance bodies for the parent company only financial statements

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 parent company only financial statements, management is responsible for assessing the ability of Taiflex 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 or cease the operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only 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 parent company only 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'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'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 parent company only 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 ceasing to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only 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 parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit on those investees 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's parent company only 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.

Ernst & Young

February 26, 2020

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY 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)	$ 1,678,502	$ 1,065,055
Financial assets at fair value through profit or loss - current	4, 6(2)	38,131	20,820
Financial assets at amortized cost - current	4, 6(3)	49,000	-
Notes receivable, net	4, 6(4)	2,940	4,826
Accounts receivable, net	4, 6(5)	1,426,216	2,039,942
Accounts receivable – related parties	6(5), 7	1,068,051	1,348,288
Other receivables		18,878	43,229
Other receivables – related parties	7	459,778	1,229,366
Inventories, net	4, 6(6)	626,770	851,750
Prepayments		22,678	27,587
Other current assets	8	21,784	23,773
Total current assets		5,412,728	6,654,636
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	-	-
Investments accounted for under the equity method	4, 6(8)	2,690,742	2,490,400
Property, plant and equipment	4, 6(9)	2,212,219	2,122,285
Right-of-use assets	4, 6(20)	259,165	-
Intangible assets	4, 6(10)	52,531	39,142
Deferred income tax assets	4, 6(23)	136,925	100,000
Other non-current assets	4, 6(11)	7,908	6,806
Total non-current assets		5,359,490	4,758,633
Total assets		$ 10,772,218	$ 11,413,269

(The accompanying notes are an integral part of the parent company only financial statements.)

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY 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(12)	$ 670,000	$ 1,165,000
Financial liabilities at fair value through profit or loss - current	4, 6(13)	278	2,453
Notes payable		-	65,419
Accounts payable		780,269	1,554,031
Accounts payable – related parties	7	3,092	26,934
Other payables		429,162	545,822
Other payables – related parties	7	21,194	31,761
Current income tax liabilities	4, 6(23)	128,071	193,339
Lease liabilities - current	4, 6(20)	11,058	-
Other current liabilities		1,962	5,099
Total current liabilities		2,045,086	3,589,858
Non-current liabilities			
Long-term loans	6(14)	900,000	295,000
Deferred income tax liabilities	4, 6(23)	111,415	127,750
Lease liabilities – non-current	4, 6(20)	250,124	-
Net defined benefit liabilities - non-current	4, 6(15)	219,550	138,423
Total non-current liabilities		1,481,089	561,173
Total liabilities		3,526,175	4,151,031
Equity			
Capital	6(16)		
Common stock		2,091,197	2,091,197
Capital surplus	6(16)	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		7,246,043	7,262,238
Total liabilities and equity		$ 10,772,218	$ 11,413,269

(Concluded)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY 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(18), 7	$ 6,919,495	$ 7,633,620
Cost of revenue	4, 6(6)&(21), 7	(5,195,358)	(5,921,108)
Gross profit		1,724,137	1,712,512
Unrealized sales profit or loss		2,035	(14,146)
Realized sales profit or loss		-	-
Gross profit, net		1,726,172	1,698,366
Operating expenses	4, 6(21)		
Sales and marketing expenses		(243,123)	(270,209)
General and administrative expenses		(244,327)	(280,017)
Research and development expenses		(265,762)	(244,580)
Reversal of expected credit loss	6(19)	20,629	107,895
Total operating expenses		(732,583)	(686,911)
Operating income		993,589	1,011,455
Non-operating income and expenses	6(22)		
Other income		36,695	70,856
Other gains and losses		(90,544)	41,892
Finance costs		(17,114)	(17,555)
Share of profit or loss of subsidiaries and associates accounted for under the equity method	4, 6(7)	(139,902)	(235,459)
Total non-operating income and expenses		(210,865)	(140,266)
Income before income tax		782,724	871,189
Income tax expense	4, 6(23)	(152,043)	(198,880)
Net income of continuing operations		630,681	672,309
Net income		630,681	672,309
Other comprehensive income (loss)	6(22)		
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	6(23)	14,970	(11,098)
Items that may be reclassified subsequently to profit or loss	6(22)		
Exchange differences on translation of foreign operations		(81,094)	(85,854)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	6(23)	16,218	19,311
Total other comprehensive income, net of tax		(124,757)	(22,153)
Total comprehensive income		$ 505,924	$ 650,156
Earnings per share (NT$)	4, 6(24)		
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 parent company only financial statements.)

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

				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 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
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
Appropriation and distribution of 2017 earnings									
Legal capital reserve				73,459		(73,459)			-
Cash dividends for common stocks						(522,799)			(522,799)
Changes in other capital surplus									
Changes in associates accounted for under the equity method			(1,553)						(1,553)
Share-based payment	3,395	(665)	6,853						9,583
Reversal of special capital reserve					(26,612)	26,612			-
Net income for the year ended December 31, 2018						672,309			672,309
Other comprehensive income (loss) for the year ended December 31, 2018						44,390	(66,543)		(22,153)
Total comprehensive income	-	-	-	-	-	716,699	(66,543)	-	650,156
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
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
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)
Changes in other capital surplus									
Changes in associates accounted for under the equity method			680						680
Cash dividends from capital surplus			(104,560)						(104,560)
Net income for the year ended December 31, 2019						630,681			630,681
Other comprehensive income (loss) for the year ended December 31, 2019						(59,881)	(64,876)		(124,757)
Total comprehensive income	-	-	-	-	-	570,800	(64,876)	-	505,924
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

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY 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	$ 782,724	$ 871,189
Adjustments:		
Non-cash income and expense items:		
Depreciation	248,306	206,801
Amortization	15,738	16,403
Reversal of expected credit loss	(20,629)	(107,895)
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	(12,395)	12,328
Interest expense	17,114	17,555
Interest income	(20,774)	(29,449)
Share of loss of subsidiaries and associates accounted for under the equity method	139,902	235,459
Gain on disposal of property, plant and equipment	(1,481)	-
Gain on reversal of impairment loss for non-financial assets	-	(31,518)
Others	39,867	46,020
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(7,091)	(18,010)
Decrease in notes receivable	1,886	5,032
Decrease (increase) in accounts receivable	631,689	(1,433,570)
Decrease in accounts receivable – related parties	280,237	195,162
Decrease (increase) in other receivables	23,059	(2,805)
Decrease (increase) in other receivables – related parties	188,011	(163,632)
Decrease (increase) in inventories	185,487	(145,392)
Decrease in prepayments	4,909	1,087
Decrease in other current assets	1,989	311
(Decrease) increase in notes payable	(65,419)	65,419
Decrease in accounts payable	(773,762)	(20,176)
Decrease in accounts payable – related parties	(23,842)	(37,339)
(Decrease) increase in other payables	(81,036)	27,054
(Decrease) increase in other payables – related parties	(10,567)	19,881
(Decrease) increase in other current liabilities	(6,880)	18,507
Increase in net defined benefit liabilities	6,276	9,787
Cash generated from operations	1,543,318	(241,791)
Interest received	22,066	28,281
Interest paid	(12,298)	(17,078)
Income tax paid	(239,553)	(129,166)
Net cash generated by (used in) operating activities	1,313,533	(359,754)

(The accompanying notes are an integral part of the parent company only financial statements.)

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY 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	(418,189)	(534,553)
Return of capital from investee accounted for under the equity method	-	117,658
Acquisition of property, plant and equipment	(380,898)	(305,929)
Disposal of property, plant and equipment	17,713	-
Increase in refundable deposits	(1,102)	-
Decrease in refundable deposits	-	3,949
Decrease (increase) in other receivables – related parties	581,577	(7,767)
Acquisition of intangible assets	(25,686)	(9,777)
Increase in other current assets - other financial assets - current	-	(59)
Decrease in other non-current assets	2,666	-
Dividends received	1,444	122,078
Net cash used in investing activities	(271,475)	(614,400)
Cash flows from financing activities:		
Increase in short-term loans	-	1,165,000
Decrease in short-term loans	(495,000)	-
Increase in long-term loans	605,000	156,818
Repayment of lease principal	(15,812)	-
Distribution of cash dividends	(522,799)	(522,799)
Exercise of employee stock options	-	9,583
Net cash (used in) generated by financing activities	(428,611)	808,602
Net increase (decrease) in cash and cash equivalents	613,447	(165,552)
Cash and cash equivalents at beginning of period	1,065,055	1,230,607
Cash and cash equivalents at end of period	$ 1,678,502	$ 1,065,055

(Concluded)

(The accompanying notes are an integral part of the parent company only 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 parent company only financial statements of the Company 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 Company 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 Company 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 Company 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 Company after and prior to January 1, 2019.

(b) Definition of leases: The Company 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 Company 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 Company's assessment of whether the contracts are (or contain) leases in most circumstances.

(c) The Company being a lessee: The Company 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 Company 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 Company's right-of-use assets and lease liabilities increased by NT$261,602 thousand and NT$261,602 thousand, respectively, on January 1, 2019.

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

iii. 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%.

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

(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	$ 68,774
Discounted using the incremental borrowing rate as of January 1, 2019	64,835
Add: Adjustments as it is reasonably certain that the option to extend and to terminate a lease will be exercised	196,767
Lease liabilities as of January 1, 2019	$ 261,602

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

(2) The Company 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
Amendments to 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.

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

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 Company.

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

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
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022

Items with potential effects on the Company'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 Company 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 Company. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only 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 by FSC.

(2) Basis of preparation

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

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through "investments accounted for under the equity method" and "share of profit or loss of subsidiaries and associates accounted for under the equity method" in the parent company only financial statements.

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

The Company's parent company only financial statements are presented in New Taiwan Dollars.

Transactions in foreign currencies are initially recognized by the Company 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 rates prevailing at 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 determined; 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 parent company only 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 non-controlling interests 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.

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

An asset is classified as current when:

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

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

C. the Company 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 Company expects to settle the liability in its normal operating cycle

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

All other liabilities are classified as non-current.

(5) 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).

(6) Financial instruments

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

Financial assets and financial liabilities 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 Company accounts for regular way purchase or sales of financial assets on the trade date basis.

The Company 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 Company 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.

<u>Financial assets at fair value through profit or loss</u>

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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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.

(7) Derivative financial instrument

The Company 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 derivative 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 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.

(8) 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.

(9) Investments accounted for under the equity method

The Company accounts for its investments in subsidiaries and associates using the equity method, except for ones classified as non-current assets held for sale.

A. Investment in subsidiaries

A subsidiary is an entity controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company recognizes its share of profit or loss and other comprehensive income of the subsidiary in profit or loss and other comprehensive income. Earning distributions received from the subsidiary reduce the carrying amount of the investment.

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

Financial statements of subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring subsidiaries' accounting policies into line with those used by the Company.

When changes in a subsidiary's equity are not caused by profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes related changes in equity according to its ownership percentage. Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method when it loses control over the subsidiary. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former subsidiary and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in a subsidiary becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. The difference between the recoverable amount and the carrying value of the subsidiary is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

B. Investment in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Difference between the Company's investment cost and the share of fair value of associates' identifiable assets and liabilities is accounted for as follows:

(a) Any excess of the investment cost over the Company's share of fair value of associates' identifiable assets and liabilities as of the acquisition date is recognized as goodwill and included in the carrying amount of the investment. Goodwill cannot be amortized.

(b) Any excess of the Company's share of net fair value of associates' identifiable assets and liabilities over the investment cost is recognized as a gain in profit or loss on the investment date, after reassessing the fair value.

Under the equity method, an investment in an associate is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the associate. The Company recognizes its share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income. Earning distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Any unrealized gains or losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Financial statements of associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring associates' accounting policies into line with those used by the Company.

If the Company subscribes more shares than its original ownership percentage when an associate issues new shares, while maintaining its significant influence over that associate, such an increase would be accounted for as an additional investment in the associate. If the Company's subscription results in a decrease in its ownership percentage while maintaining significant influence over that associate, the proportionate gain or loss previously recognized in other comprehensive income relative to that reduction is reclassified to profit and loss. When the Company subscripts or acquires shares of associates in a percentage differs from its existing shareholding percentage which in turn changes its net interest in the associate, the change is adjusted through capital surplus. Where the change in equity of an associate does not result from its profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes its proportionate share of all related changes in equity. Upon disposal of the associate, the Company reclassifies the aforementioned capital surplus to profit or loss on a pro rata basis.

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

The Company ceases to use the equity method when it loses significant influence over the associate. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former associate and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The difference between the recoverable amount and the carrying value of the associate is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

(10) 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 Company 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.

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/lease assets (Note)	2 to 50 years
Miscellaneous equipment	5 to 10 years

Note: The Company 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.

(11) 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.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 Company 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.

(13) Impairment of non-financial assets

The Company 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 Company 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 Company 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.

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

(14) Provisions

Provisions are recognized when the Company 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 Company 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.

(15) Treasury stocks

The Company's stocks acquired (treasury stocks) are recognized at cost and as a deduction to equity. Difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

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

The Company 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 Company 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 Company 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 Company 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.

(17) Leases

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

For contracts established after January 1, 2019, the Company 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 Company 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 Company 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 Company 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 Company 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 Company would maximize the use of observable information to estimate the stand-alone price.

The Company being a lessee

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

On the commencement date, the Company 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 Company 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 Company 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 Company 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 Company 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 Company at the end of lease term, or the cost of right-of-use assets reflects the fact that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of underlying assets' useful life. Otherwise, the Company 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 Company 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 Company 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 Company 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.

<u>The Company being a lessor</u>

On the date the contract is established, the Company 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 Company 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 Company adopts IFRS 15 to allocate the considerations of contracts.

The Company 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.

(18) 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 parent company only 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 Company 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.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company 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 Company’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.

(20) 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.

Deferred income tax

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, associates and joint ventures. 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 Company 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.

5. Significant Accounting Judgments and Major Sources of Estimation Uncertainty

The preparation of the Company’s parent company only 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 Company 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 Company under contracts (carrying amount) and cash flows the Company 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(19) 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.

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

(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(15).

(5) Share-based payment transactions

The Company 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(17).

(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 Company 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 Company as of December 31, 2019 are disclosed in Note 6(23).

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 333	$ 333
Bank deposits	1,678,169	1,064,722
Total	$ 1,678,502	$ 1,065,055

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

(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	$ 399
Stocks	34,981	20,421
Total	$ 38,131	$ 20,820

The Company'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 Company 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	$ 2,940	$ 4,826

The Company's notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6(19) for details on loss allowance and Note 12 for information concerning credit risk.

(5) Accounts receivable, net

	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,446,058	$ 2,077,747
Less: loss allowance	(19,842)	(37,805)
Subtotal	1,426,216	2,039,942
Accounts receivable – related parties	1,068,051	1,348,288
Total	$ 2,494,267	$ 3,388,230

A. The Company'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$2,514,109 thousand and NT$3,426,035 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6(19) for loss allowance for the years ended December 31, 2019 and 2018 and Note 12 for credit risk.

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

(6) Inventories, net

	December 31, 2019	December 31, 2018
Raw materials	$ 250,236	$ 501,897
Inventories in transit	708	34,238
Supplies	5,171	6,094
Work in process	65,814	46,265
Finished goods	300,694	258,606
Merchandise	4,147	4,650
Total	$ 626,770	$ 851,750

The Company recognized operating costs associated with inventories of NT$5,195,358 thousand and NT$5,921,108 thousand for the years ended December 31, 2019 and 2018, respectively. The amounts included inventory valuation loss due to write-down of inventories to net realizable value of NT$37,396 thousand for the year ended December 31, 2018, which was recognized as an addition to operating costs. 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$30,311 thousand for the year ended December 31, 2019.

The aforementioned inventories were not pledged.

(7) 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 Company's financial assets at fair value through other comprehensive income were not pledged.

(8) Investments accounted for under the equity method

	December 31, 2019		December 31, 2018	
Investees	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Taistar Co., Ltd.	$ 944,245	100.00%	$ 1,133,837	100.00%
Leadmax Limited	8,345	100.00%	10,990	100.00%
Koatech Technology Corp.	212,985	53.86%	233,440	53.86%
TFS Co., Ltd.	470,934	100.00%	469,677	100.00%
Taiflex Scientific Japan Co., Ltd.	17,740	100.00%	17,696	100.00%
Richstar Co., Ltd.	977,510	66.29%	564,429	53.01%
Taiflex USA Corporation	9,513	100.00%	8,861	100.00%
Subtotal	2,641,272		2,438,930	
Investments in associates:				
Innovision FlexTech Corp.	36,218	15.07%	51,470	15.07%
Geckos Technology Corp.	13,252	31.24%	–	
Subtotal	49,470		51,470	
Total	$ 2,690,742		$ 2,490,400	

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

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

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

	Years Ended December 31	
Investee	2019	2018
Taistar Co., Ltd.	$ (156,465)	$ (313,497)
Leadmax Limited	(2,474)	(5,114)
Innovision FlexTech Corp.	(13,848)	19,666
Koatech Technology Corp.	(20,169)	2,669
TFS Co., Ltd.	24,710	50,426
Taiflex Scientific Japan Co., Ltd.	156	331
Richstar Co., Ltd.	31,057	10,408
Taiflex USA Corporation	871	(348)
Geckos Technology Corp.	(3,740)	—
Total	$ (139,902)	$ (235,459)

B. The Company 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 Company'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

D. For investments accounted for under the equity method, the Company 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.

(9) Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner-occupied property, plant and equipment	$ 2,212,219	

Note: The Company 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)

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

	As of January 1, 2019	Additions	Disposals	Reclassification	As of December 31, 2019
Cost					
Buildings	$ 987,889	$ 6,164	$ —	$ 38,794	$ 1,032,847
Machinery and equipment	2,201,790	29,408	(44,817)	121,255	2,307,636
Hydropower equipment	345,741	3,771	—	24,993	374,505
Testing equipment	271,519	15,153	(3,369)	48,613	331,916
Miscellaneous equipment	175,829	5,043	(744)	15,502	195,630
Total	$ 3,982,768	$ 59,539	$ (48,930)	$ 249,157	$ 4,242,534
Accumulated depreciation and impairment					
Buildings	$ 212,206	$ 40,235	$ —	$ —	$ 252,441
Machinery and equipment	1,437,528	139,629	(28,995)	—	1,548,162
Hydropower equipment	209,057	12,964	—	—	222,021
Testing equipment	128,354	27,808	(2,959)	—	153,203
Miscellaneous equipment	100,525	14,530	(744)	—	114,311
Total	$ 2,087,670	$ 235,166	$ (32,698)	$ —	$ 2,290,138
Construction in progress and equipment awaiting inspection	227,187	285,608	—	(252,972)	259,823
Net	$ 2,122,285				$ 2,212,219

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

	As of January 1, 2018	Additions	Disposals	Reclassification	As of December 31, 2018
Cost					
Buildings	$ 724,994	$ 5,181	$ (213)	$ 257,927	$ 987,889
Machinery and equipment	2,039,678	55,411	(17,752)	124,453	2,201,790
Hydropower equipment	259,177	5,309	—	81,255	345,741
Testing equipment	228,682	7,360	(1,890)	37,367	271,519
Miscellaneous equipment	153,594	5,412	(4,831)	21,654	175,829
Total	$ 3,406,125	$ 78,673	$ (24,686)	$ 522,656	$ 3,982,768
Accumulated depreciation and impairment					
Buildings	$ 175,446	$ 36,973	$ (213)	$ —	$ 212,206
Machinery and equipment	1,332,160	123,120	(17,752)	—	1,437,528
Hydropower equipment	197,575	11,482	—	—	209,057
Testing equipment	107,608	22,636	(1,890)	—	128,354
Miscellaneous equipment	92,766	12,590	(4,831)	—	100,525
Total	$ 1,905,555	$ 206,801	$ (24,686)	$ —	$ 2,087,670
Construction in progress and equipment awaiting inspection	538,614	211,625	—	(523,052)	227,187
Net	$ 2,039,184				$ 2,122,285

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

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

(10) Intangible assets

	December 31, 2019	December 31, 2018
Trademarks	$ 312	$ 354
Patents	8,283	6,848
Software cost	43,936	31,940
Total	$ 52,531	$ 39,142

	As of January 1, 2019	Additions	Reclassification	As of December 31, 2019
Cost				
Trademarks	$ 672	$ 19	$ —	$ 691
Patents	15,656	2,314	—	17,970
Software cost	116,916	23,353	3,441	143,710
Total	$ 133,244	$ 25,686	$ 3,441	$ 162,371
Amortization and impairment				
Trademarks	$ 318	$ 61	$ —	$ 379
Patents	8,808	879	—	9,687
Software cost	84,976	14,798	—	99,774
Total	94,102	$ 15,738	$ —	109,840
Net	$ 39,142			$ 52,531

	As of January 1, 2018	Additions	Reclassification	As of December 31, 2018
Cost				
Trademarks	$ 672	$ —	$ —	$ 672
Patents	14,881	775	—	15,656
Software cost	107,518	9,002	396	116,916
Total	$ 123,071	$ 9,777	$ 396	$ 133,244
Amortization and impairment				
Trademarks	$ 257	$ 61	$ —	$ 318
Patents	7,102	1,706	—	8,808
Software cost	70,340	14,636	—	84,976
Total	77,699	$ 16,403	$ —	94,102
Net	$ 45,372			$ 39,142

(11) Other non-current assets

	December 31, 2019	December 31, 2018
Refundable deposits	$ 7,908	$ 6,806

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

(12) Short-term loans

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 670,000	$ 1,165,000

The interest rate ranges of loans were 0.76% to 0.85% and 0.74% to 1.04% and the unused short-term credit facilities amounted to NT$1,810,000 thousand and NT$835,000 thousand as of December 31, 2019 and 2018, respectively.

(13) 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	$ 2,453

(14) Long-term loans

	December 31, 2019	December 31, 2018
Revolving loans	$ 900,000	$ 295,000
Syndicated loans	—	—
Total	900,000	295,000
Less: current portion	—	—
Less: unamortized syndicated loan fee	—	—
Net	$ 900,000	$ 295,000

A. The interest rate ranges of loans were 0.83% to 1.0511% and 0.88% as of December 31, 2019 and 2018, respectively.

B. In January 2016, the Company 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 Company 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 Company 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 Company has abided by those terms.

(15) 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$22,876 thousand and NT$23,076 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

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

Financial Statement Account	Years Ended December 31 2019	2018
Operating costs	$ 3,840	$ 5,232
Sales and marketing expenses	420	598
General and administrative expenses	2,163	3,346
Research and development expenses	2,539	3,415
Total	$ 8,962	$ 12,591

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

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.

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

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.

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	$ 243,655	$ 172,041
Fair value of plan assets, ending balance	(24,115)	(33,618)
Surplus/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)

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

(16) 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.

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

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.

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(21) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(17) 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.

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

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

	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	—	—	—	—

(18) Revenue

	Years Ended December 31	
	2019	2018
Sale of goods	$ 6,919,495	$ 7,633,620

(19) (Reversal) of expected credit loss

	Years Ended December 31	
	2019	2018
Operating expenses – Reversal of expected credit loss		
Accounts receivable	$ (17,963)	$ (107,895)
Other non-current assets	(2,666)	—
Total	$ (20,629)	$ (107,895)

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables (related parties)), the Company 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:

Expected credit loss of accounts receivables as of 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	$ 2,515,131	$ 1,154	$ —	$ 764	$ 2,517,049
Loss ratio	0%~1%	0%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	19,006	72	—	764	19,842
Subtotal	$ 2,496,125	$ 1,082	$ —	$ —	$ 2,497,207

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

Expected credit loss of accounts receivables as of December 31, 2018

		Past Due			
	Not Past Due (Note)	Within 90 Days	91-180 Days	Over 181 Days	Total
Gross carrying amount	$ 3,059,990	$ 365,979	$ −	$ 4,892	$ 3,430,861
Loss ratio	0%~1%	0%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	19,827	13,086	−	4,892	37,805
Subtotal	$ 3,040,163	$ 352,893	$ −	$ −	$ 3,393,056

Note: None of the Company'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	$ 37,805	$ 8,291	$ 46,096
Reversal in the current period	(17,963)	(2,666)	(20,629)
Write off	−	(1,524)	(1,524)
Balance as of December 31, 2019	$ 19,842	$ 4,101	$ 23,943

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2018 (according to IFRS 9)	$ 145,700	$ 8,291	$ 153,991
Reversal in the current period	(107,895)	−	(107,895)
Balance as of December 31, 2018	$ 37,805	$ 8,291	$ 46,096

(20) Leases

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

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

The effects of leases on the financial status, financial performance and cash flows of the Company 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	$ 241,933	
Buildings	1,756	
Transportation equipment	15,476	
Total	$ 259,165	

Note: The Company 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)

The Company's right-of-use assets increased by NT$10,908 thousand for the year ended December 31, 2019.

ii. Lease liabilities

	December 31, 2019	December 31, 2018 (Note)
Current	$ 11,058	
Non-current	250,124	
Lease liabilities	$ 261,182	

Please refer to Note 6(22)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 Company 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	$ 6,066	
Buildings	1,054	
Transportation equipment	6,020	
Total	$ 13,140	

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

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

	Years Ended December 31	
	2019	2018 (Note)
Expense of short-term leases	$ 12,279	
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,718	

Note: The Company 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)

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

The Company’s cash outflows from leases amounted to NT$15,812 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 Company’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 Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the Company 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 Company. The Company 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 Company 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 Company being a lessee – operating leases (subject to disclosures associated with IAS 17)

The Company 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	$ 14,585
More than 1 year but less than 5 years	35,730
More than 5 years	18,459
Total	$ 68,774

Expenses recognized under operating leases were as follows:

	Year Ended December 31, 2018
Minimum lease payments	$ 26,039

The Company 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)

(21) 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	330,736	249,946	580,682	353,493	280,535	634,028
Labor and health insurance	33,605	18,557	52,162	32,857	18,197	51,054
Pension	18,607	13,231	31,838	20,180	15,487	35,667
Remuneration to directors	－	17,978	17,978	－	20,109	20,109
Other employee benefits expense	37,426	17,593	55,019	41,107	20,004	61,111
Depreciation	204,530	43,776	248,306	177,307	29,494	206,801
Amortization	4,224	11,514	15,738	3,737	12,666	16,403

As of December 31, 2019 and 2018, the Company had 754 and 759 employees, respectively. There were 6 Directors who were not employees for both years.

The following information shall be disclosed for entities with stocks traded on the Taiwan Stock Exchange or the Taipei Exchange:

A. The average employee benefits expense in 2019 equaled NT$962 thousand, which was calculated as follows: (Sum of employee benefits expense – Sum of remuneration to directors in 2019)/(Number of employees – Number of directors who are not employees in 2019). The average employee benefits expense in 2018 equaled NT$1,038 thousand, which was calculated as follows: (Sum of employee benefits expense – Sum of remuneration to directors in 2018)/(Number of employees – Number of directors who are not employees in 2018).

B. The average employee salaries in 2019 equaled NT$776 thousand, which was calculated as follows: Sum of employee salaries in 2019/(Number of employees – Number of directors who are not employees in 2019). The average employee salaries in 2018 equaled NT$842 thousand, which was calculated as follows: Sum of employee salaries in 2018/(Number of employees – Number of directors who are not employees in 2018).

C. The change in average employee salaries equaled (7.8)% in 2019, which was calculated as follows: (Average employee salaries in 2019 – average employee salaries in 2018)/Average employee salaries in 2018.

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.

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

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.

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 in the form of cash 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.

(22) Non-operating income and expenses

A. Other income

	Years Ended December 31	
	2019	2018
Interest income	$ 20,774	$ 29,449
Other income	15,921	41,407
Total	$ 36,695	$ 70,856

B. Other gains and losses

	Years Ended December 31	
	2019	2018
Gain on disposal of property, plant and equipment	$ 1,481	$ —
Foreign exchange (loss) gain, net	(103,220)	23,902
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	12,395	(12,328)
Gain on reversal of impairment loss for non-financial assets	—	31,518
Other losses	(1,200)	(1,200)
Total	$ (90,544)	$ 41,892

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

C. Finance costs

	Years Ended December 31	
	2019	2018
Interest on bank borrowings	$ (12,425)	$ (17,555)
Interest on lease liabilities	(4,689)	—
Total	$ (17,114)	$ (17,555)

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	(81,094)	—	(81,094)	16,218	(64,876)
Total	$ (155,945)	$ —	$ (155,945)	$ 31,188	$ (124,757)

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	(85,854)	—	(85,854)	19,311	(66,543)
Total	$ (30,366)	$ —	$ (30,366)	$ 8,213	$ (22,153)

(23) 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	$ 185,669	$ 248,526
Income tax adjustments on prior years	(11,385)	(7,447)
Deferred income tax expense:		
Income tax expense relating to origination and reversal of temporary differences	(22,241)	(56,764)
Adjustments relating to changes in tax rates	–	14,565
Income tax expense	$ 152,043	$ 198,880

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	(16,218)	(19,311)
Income tax relating to components of other comprehensive income	$ (31,188)	$ (8,213)

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	$ 782,724	$ 871,189
Income tax expense at the statutory rate of the Company	$ 156,545	$ 174,238
Additional profit-seeking enterprise income tax on unappropriated earnings (5% and 10% for 2019 and 2018, respectively)	7,363	15,836
Income tax adjustments on prior years	(11,385)	(7,447)
Tax effects of other tax adjustments	(480)	16,253
Income tax expense recognized in profit or loss	$ 152,043	$ 198,880

(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	$ 12,816	$ 6,303	$ –	$ –	$ 19,119
Allowance for inventory valuation and obsolescence loss	17,292	(6,062)	–	–	11,230
Investments accounted for under the equity method	(95,479)	28,269	16,218	(169)	(51,161)
Unrealized intra-group profits and losses	7,507	(935)	–	–	6,572
Impairment of assets	1,320	–	–	–	1,320
Allowance for doubtful accounts	2,335	(2,595)	–	–	(260)
Net defined benefit liabilities	27,684	1,256	14,970	–	43,910
Others	(1,225)	(3,995)	–	–	(5,220)
Deferred income tax benefit (expense)		$ 22,241	$ 31,188	$ (169)	
Net deferred income tax assets (liabilities)	$ (27,750)				$ 25,510
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 100,000				$ 136,925
Deferred income tax liabilities	$ 127,750				$ 111,415

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	$ 4,457	$ 8,359	$ –	$ –	$ 12,816
Allowance for inventory valuation and obsolescence loss	8,341	8,951	–	–	17,292
Investments accounted for under the equity method	(153,008)	39,960	19,311	(1,742)	(95,479)
Unrealized intra-group profits and losses	3,667	3,840	–	–	7,507
Impairment of assets	6,480	(5,160)	–	–	1,320
Allowance for doubtful accounts	22,419	(20,084)	–	–	2,335
Net defined benefit liabilities	31,301	7,482	(11,098)	–	27,685
Others	(77)	(1,149)	–	–	(1,226)
Deferred income tax benefit (expense)		$ 42,199	$ 8,213	$ (1,742)	
Net deferred income tax assets (liabilities)	$ (76,420)				$ (27,750)
Reflected in balance sheets as follows:					
Deferred income tax assets	$ 99,874				$ 100,000
Deferred income tax liabilities	$ 176,294				$ 127,750

D. Unrecognized deferred income tax assets:

As of December 31, 2019 and 2018, the Company had no deferred income tax assets that had not been recognized.

E. The assessment of income tax returns:

As of December 31, 2019, the Company's income tax return was assessed and approved up to 2017.

(24) 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

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Taistar Co., Ltd.	100% owned subsidiary
Leadmax Limited (Leadmax)	100% owned subsidiary
TSC International Ltd. (TSC)	100% owned second-tier subsidiary
Kunshan Taiflex Electronic Material Co., Ltd. (Kunshan Taiflex)	100% owned third-tier subsidiary

(Continued)

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

Name	Relationship
Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	100% owned third-tier subsidiary
TFS Co., Ltd.	100% owned subsidiary
Richstar Co., Ltd.	100% owned second-tier subsidiary
Shenzhen Taiflex Electronic Co., Ltd.	100% owned third-tier subsidiary
Innovision FlexTech Corp. (Innovision)	Investee under the equity method (shareholding of 15.07%)
Geckos Technology Corp.	Investee under the equity method (shareholding of 31.24%)
Koatech Technology Corporation (Koatech)	53.86% owned subsidiary
Innatech Co., Ltd. (Innatech)	A substantive related party
Taiflex Scientific Japan Co., Ltd.	100% owned subsidiary
Taiflex USA Corporation	100% owned subsidiary
Rudong Fuzhan Scientific Co., Ltd.	100% owned subsidiary

(Concluded)

(2) Significant transactions with related parties

A. Sales

	Years Ended December 31	
	2019	2018
Subsidiaries	$ 2,160,948	$ 2,193,993

The sales prices of related party transactions were determined through mutual agreements based on market conditions. The outstanding balances as of December 31, 2019 and 2018 were unsecured and non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	Years Ended December 31	
	2019	2018
Subsidiaries	$ 31,977	$ 110,029

The purchase prices of related party transactions were determined through mutual agreement based on market conditions. The payment terms of related party transactions were comparable with ones of non-related party transactions.

C. Accounts receivable - related parties

	December 31, 2019	December 31, 2018
Subsidiaries	$ 1,068,051	$ 1,348,288

D. Other receivables - related parties

(a) Non-financing

	December 31, 2019	December 31, 2018
Subsidiaries	$ 41,866	$ 225,166

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

(b) Financing

December 31, 2019

	Maximum Balance	Ending Balance	Amount Actually Drawn	Interest Receivable	Interest Rate	Interest Income
Subsidiaries	$ 1,390,708	$ 420,658	$ 416,666	$ 1,246	1.70%～4.0%	$13,329

December 31, 2018

	Maximum Balance	Ending Balance	Amount Actually Drawn	Interest Receivable	Interest Rate	Interest Income
Subsidiaries	$ 1,662,466	$ 1,357,768	$ 998,242	$ 5,958	1.7%～4.0%	$21,487

E. Accounts payable - related parties

	December 31, 2019	December 31, 2018
Subsidiaries	$ 3,092	$ 26,934

F. Other payables – related parties

	December 31, 2019	December 31, 2018
Subsidiaries	$ 13,262	$ 31,113
Other related parties	7,932	648
Total	$ 21,194	$ 31,761

G. Compensation to key management

	Years Ended December 31	
	2019	2018
Short-term employee benefits	$ 40,152	$ 62,701
Post-employment benefits	435	509
Total	$ 40,587	$ 63,210

8. Pledged Assets

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

	Carrying Amount		
	December 31, 2019	December 31, 2018	Purpose of Pledge
Time deposits (Note)	$ 20,031	$ 20,413	Customs guarantee
Buildings	40,928	42,277	Letter of credit and short-term credit facilities
Total	$ 60,959	$ 62,690	

Note: These were recognized as other current assets.

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

9. Significant Contingencies and Unrecognized Contract Commitments

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

	L / C Balance	
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.

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	$ 20,820
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,678,169	1,064,722
Financial assets at amortized cost	49,000	—
Receivables	2,975,863	4,665,651
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	$ 278	$ 2,453
Financial liabilities at amortized cost:		
Short-term loans	670,000	1,165,000
Payables	1,233,717	2,223,967
Long-term loans (including current portion)	900,000	295,000
Lease liabilities	261,182	—

Note: 1. The Company 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 Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

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

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables; therefore, natural hedge is achieved. The Company 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 Company.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Company's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company'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 Company's exposure to interest rate risk relates primarily to its variable interest rates for loans.

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

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

A 5% increase/decrease in the prices of listed companies' stocks classified as mandatorily 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.

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$16,975 thousand
	NTD/CNY appreciate/depreciate by 1%	−/+ NT$12,918 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/− NT$ 158 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$17,892 thousand
	NTD/CNY appreciate/depreciate by 1%	−/+ NT$ 67 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/− NT$ 395 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 Company 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 Company'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 Company's internal rating criteria, etc. The Company 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 Company's finance division in accordance with the Company's policies. The counterparties that the Company transacts with are reputable financial institutions both at home and abroad; thus, no significant credit risk is expected.

(5) Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Company'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	$ 670,656	$ 675,000	$ 225,000	$ –	$ 1,570,656
Payables	1,233,717	–	–	–	1,233,717
Lease liabilities	11,058	18,119	10,070	221,935	261,182
December 31, 2018					
Borrowings	$ 1,165,530	$ 295,000	$ –	$ –	$ 1,460,530
Payables	2,223,967	–	–	–	2,223,967

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2019					
Inflows	$ 768,739	$ –	$ –	$ –	$ 768,739
Outflows	$ 770,698	–	–	–	$ 770,698
Net	$ (1,959)	$ –	$ –	$ –	$ (1,959)
December 31, 2018					
Inflows	$ 508,174	$ –	$ –	$ –	$ 508,174
Outflows	$ 586,902	–	–	–	$ 586,902
Net	$ (78,728)	$ –	$ –	$ –	$ (78,728)

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	Total Liabilities from Financing Activities
As of January 1, 2019	$1,165,000	$ 295,000	$ 261,602	$ 1,721,602
Cash flows	(495,000)	605,000	(15,812)	94,188
Non-cash movement	–	–	15,392	–
As of December 31, 2019	$ 670,000	$ 900,000	$ 261,182	$ 1,815,790

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

	Short-term Loan	Long-term Loan	Total Liabilities from Financing Activities
As of January 1, 2018	$ –	$ 138,182	$ 138,182
Cash flows	1,165,000	156,818	1,321,818
As of December 31, 2018	$1,165,000	$ 295,000	$ 1,460,000

(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 Company 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 Company'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 Company'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 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

For forward foreign exchange 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:

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

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 Company 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
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	278	—	278
December 31, 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 399	$ —	$ 399
Stocks	20,421	—	—	20,421
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	2,453	—	2,453

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	$ 71,666	30.0470	$ 2,153,828	$ 128,488	30.7220	$ 3,912,852
CNY	299,026	4.3155	1,290,447	356,854	4.4730	1,588,039
Financial liabilities						
Monetary items						
USD	$ 15,174	30.0470	$ 455,936	$ 42,285	30.7220	$ 1,299,075
JPY	227,161	0.2764	62,787	211,689	0.2781	58,871

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

As the Company 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 Company's foreign exchange gain (loss) amounted to NT$(103,220) thousand and NT$23,902 thousand, respectively.

(11) Capital management

The primary objective of the Company'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 Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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.

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

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	1.81	—	—	—	—	—
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	$138,578 (Note 4)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED

1. STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Petty cash		$ 150	
Cash on hand		183	
Subtotal		333	
Bank deposits:			
Checking & demand deposits in NTD		646,445	Exchange rate:
Demand deposits - USD	US$ 23,692 thousand	711,865	30.0470
Demand deposits – JPY	JPY 9,812 thousand	2,712	0.2764
Demand deposits – HKD	HK$ 7 thousand	25	3.8590
Demand deposits – CNY	CNY 48,683 thousand	210,093	4.3155
Demand deposits – EUR	EUR 1,700 thousand	57,229	33.6640
Time deposits - NTD		49,800	
Subtotal		1,678,169	
Total		$ 1,678,502	

TAIFLEX SCIENTIFIC COMPANY LIMITED

2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

December 31, 2019

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	Zhen Ding Technology Holding Limited	244,625	143.00	$ 34,981	
Forward foreign exchange contract	Notional amount of US$11,000 thousand			1,936	
Forward foreign exchange contract	Notional amount of CNY90,000 thousand			1,214	
				$ 38,131	

TAIFLEX SCIENTIFIC COMPANY LIMITED

3. STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Time deposits in NTD		$ 49,000	
		$ 49,000	

TAIFLEX SCIENTIFIC COMPANY LIMITED

4. STATEMENT OF NOTES RECEIVABLE, NET

December 31, 2019

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company A		$ 1,799	
Company B		558	
Others (Note)		583	
Total		2,940	
Less: Loss allowance		—	
Net		$ 2,940	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

5. STATEMENT OF ACCOUNTS RECEIVABLE, NET

December 31, 2019

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company C		$ 250,444	
Company D		153,661	
Company E		148,041	
Company F		147,079	
Company G		95,840	
Company H		95,010	
Company I		93,446	
Others (Note)		462,537	
Total		1,446,058	
Less: Loss allowance		(19,842)	
Net		$ 1,426,216	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

6. STATEMENT OF ACCOUNTS RECEIVABLE – RELATED PARTIES

December 31, 2019

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		$ 1,060,113	
Rudong Fuzhan Scientific Co., Ltd.		7,938	
Total		1,068,051	
Less: Loss allowance		—	
Net		$ 1,068,051	

TAIFLEX SCIENTIFIC COMPANY LIMITED

7. STATEMENT OF OTHER RECEIVABLES

December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other receivables	Receivables from sales of scraps	$ 3,090	
Income tax refund receivable	Business tax refund receivable	15,298	
Earned revenue receivable	Estimated interest income from time deposits	490	
Total		$ 18,878	

TAIFLEX SCIENTIFIC COMPANY LIMITED

8. STATEMENT OF OTHER RECEIVABLES – RELATED PARTIES

December 31, 2019

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.	Items purchased on behalf of others, financing and interests	$ 438,132	
Rudong Fuzhan Scientific Co., Ltd.	Equipment	21,646	
Total		$ 459,778	

TAIFLEX SCIENTIFIC COMPANY LIMITED
9. STATEMENT OF INVENTORIES
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value	Note
Raw materials	$ 282,804	$ 250,236	
Inventories in transit	708	708	
Supplies	5,171	5,171	
Work in process	65,814	65,814	
Finished goods	324,277	300,694	
Merchandise	4,147	4,147	
Total	682,921		
Less: allowance for inventory valuation losses	(56,151)		
Net	$ 626,770		

TAIFLEX SCIENTIFIC COMPANY LIMITED
10. STATEMENT OF PREPAYMENTS
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepaid expenses		$ 19,105	
Other prepayments		1,598	
Others (Note)		1,975	
Total		$ 22,678	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
11. STATEMENT OF OTHER CURRENT ASSETS
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other financial assets		$ 20,031	
Other current assets – other		518	
Temporary payments		1,069	
Payment on behalf of others		166	
Total		$ 21,784	

TAIFLEX SCIENTIFIC COMPANY LIMITED

12. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Investee	Beginning Balance		Increase		Decrease		Repatriation of Profits	Share of Profits/Losses of Investee	Exchange Differences Arising on Translation of Foreign Operations	Ending Balance			Market Value or Net Asset Value	Valuation Basis	Collateral/ Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of Ownership	Amount				
Taistar Co., Ltd.	21,825,000	$ 1,133,837	–	$ –	–	$ 791	$ –	$ (156,465)	$ (32,336)	21,825,000	100.00%	$ 944,245	$ 944,245	Equity method	None	(Note 1)
Leadmax Limited	10,000	10,990	–	–	–	–	–	(2,474)	(171)	10,000	100.00%	8,345	8,345	Equity method	None	
Innovision FlexTech Corp.	3,610,722	51,470	361,072	40	–	–	(1,444)	(13,848)	–	3,971,794	15.07%	36,218	36,218	Equity method	None	(Note 2)
Koatech Technology Corp.	13,700,126	233,440	–	–	–	–	–	(20,169)	(286)	13,700,126	53.86%	212,985	124,397	Equity method	None	
TFS Co., Ltd.	15,520,000	469,677	–	4,534	–	10,062	–	24,710	(17,925)	15,520,000	100.00%	470,934	497,221	Equity method	None	(Note 3)
Richstar Co., Ltd.	17,500,000	564,429	13,000,000	412,069	–	–	–	31,057	(30,045)	30,500,000	66.29%	977,510	977,510	Equity method	None	(Note 4)
Taiflex Scientific Japan Co., Ltd.	6,000	17,696	–	–	–	–	–	156	(112)	6,000	100.00%	17,740	17,740	Equity method	None	
Taiflex USA Corporation	1,000	8,861	–	–	–	–	–	871	(219)	1,000	100.00%	9,513	9,513	Equity method	None	
Geckos Technology Corp.	–	–	1,561,960	16,992	–	–	–	(3,740)	–	1,561,960	31.24%	13,252	13,252	Equity method	None	(Note 5)
Subtotal		$ 2,490,400		$ 433,635		$ 10,853	$ (1,444)	$ (139,902)	$ (81,094)			$ 2,690,742				
Less: Accumulated impairment		–		–		–	–	–	–			–				
Net		$ 2,490,400		$ 433,635		$ 10,853	$ (1,444)	$ (139,902)	$ (81,094)			$ 2,690,742				

(Note 1): The decrease was a result of downstream transactions between subsidiaries of NT$791 thousand.
(Note 2): The increase was a result of changes in ownership interests in subsidiaries of NT$40 thousand.
(Note 3): The increase was a result of downstream transactions between subsidiaries of NT$4,534 thousand and the decrease was a result of adjustments for non-proportional share subscription of NT$10,062 thousand.
(Note 4): The increase was a result of an increase in investment of NT$402,007 thousand and adjustments for non-proportional share subscription of NT$10,062 thousand.
(Note 5): The increase was a result of an increase in investment of NT$16,182 thousand and adjustments for non-proportional share subscription of NT$810 thousand.

TAIFLEX SCIENTIFIC COMPANY LIMITED

13. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Collateral/ Pledge	Note
		Additions	Disposals	Reclassification			
Original cost							
Buildings	$ 987,889	$ 6,164	$ –	$ 38,794	$ 1,032,847	Part of property, plant and equipment, such as buildings, are pledged as collateral.	
Machinery and equipment	2,201,790	29,408	(44,817)	121,255	2,307,636		
Hydropower equipment	345,741	3,771	–	24,993	374,505		
Testing equipment	271,519	15,153	(3,369)	48,613	331,916		
Miscellaneous equipment	175,829	5,043	(744)	15,502	195,630		
Subtotal	3,982,768	59,539	–	249,157	4,291,464		
Construction in progress and equipment awaiting inspection	227,187	285,608	–	(252,972)	259,823		
Total cost	$ 4,209,955	$ 345,147	$ –	$ (3,815)	$ 4,551,287		

TAIFLEX SCIENTIFIC COMPANY LIMITED

14. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Buildings	$ 212,206	$ 40,235	$ –	$ –	$ 252,441	
Machinery and equipment	1,437,528	139,629	(28,995)	–	1,548,162	
Hydropower equipment	209,057	12,964	–	–	222,021	
Testing equipment	128,354	27,808	(2,959)	–	153,203	
Miscellaneous equipment	100,525	14,530	(744)	–	114,311	
Total accumulated depreciation	$ 2,087,670	$ 235,166	$ (32,698)	$ –	$ 2,290,138	

TAIFLEX SCIENTIFIC COMPANY LIMITED
15. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Original cost						
Right-of-use assets: Land	$ 247,999	$ –	$ –	$ –	$ 247,999	
Right-of-use assets: Buildings	2,810	–	–	–	2,810	
Right-of-use assets: Transportation equipment	10,793	10,908	(1,831)	–	19,870	
Total costs	$ 261,602	$ 10,908	$ (1,831)	$ –	$ 270,679	

TAIFLEX SCIENTIFIC COMPANY LIMITED
16. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Right-of-use assets: Land	$ –	$ 6,066	$ –	$ –	$ 6,066	
Right-of-use assets: Buildings	–	1,054	–	–	1,054	
Right-of-use assets: Transportation equipment	–	6,020	(1,626)	–	4,394	
Total accumulated depreciation	$ –	$ 13,140	$ (1,626)	$ –	$ 11,514	

TAIFLEX SCIENTIFIC COMPANY LIMITED
17. STATEMENT OF CHANGES IN INTANGIBLE ASSETS
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Original cost					
Trademarks	$ 672	$ 19	$ —	$ 691	
Patents	15,656	2,314	—	17,970	
Software cost	116,916	23,353	3,441	143,710	
Total	$ 133,244	$ 25,686	$ 3,441	$ 162,371	

TAIFLEX SCIENTIFIC COMPANY LIMITED
18. STATEMENT OF CHANGES IN ACCUMULATED AMORTIZATION
OF INTANGIBLE ASSETS
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Trademarks	$ 318	$ 61	$ —	$ 379	
Patents	8,808	879	—	9,687	
Software cost	84,976	14,798	—	99,774	
Total	$ 94,102	$ 15,738	$ —	$ 109,840	

TAIFLEX SCIENTIFIC COMPANY LIMITED
19. STATEMENT OF DEFERRED INCOME TAX ASSETS
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Deferred income tax assets		$ 136,925	

TAIFLEX SCIENTIFIC COMPANY LIMITED
20. STATEMENT OF OTHER NON-CURRENT ASSETS
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Refundable deposits	1. Security deposit for car leases	$ 5,409	
	2. Construction bonds	1,700	
	3. Others (Note)	799	
		$ 7,908	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
21. STATEMENT OF SHORT-TERM LOANS
December 31, 2019

In Thousands of New Taiwan Dollars

Bank	Description	Loan Amount	Contract Term	Interest Rate	Note
Bank of Taiwan	Short-term working capital	$ 100,000	2019.11.26 ~ 2020.02.24	0.76% ~ 0.85%	
Bank of Taiwan	Short-term working capital	50,000	2019.12.24 ~ 2020.03.23	0.76% ~ 0.85%	
Bank of Taiwan	Short-term working capital	50,000	2019.12.24 ~ 2020.03.23	0.76% ~ 0.85%	
Citibank Taiwan	Short-term working capital	300,000	2019.12.02 ~ 2020.01.02	0.76% ~ 0.85%	
HSBC Bank (Taiwan)	Short-term working capital	20,000	2019.10.08 ~ 2020.01.17	0.76% ~ 0.85%	
HSBC Bank (Taiwan)	Short-term working capital	30,000	2019.10.18 ~ 2020.01.31	0.76% ~ 0.85%	
HSBC Bank (Taiwan)	Short-term working capital	40,000	2019.11.08 ~ 2020.02.18	0.76% ~ 0.85%	
HSBC Bank (Taiwan)	Short-term working capital	80,000	2019.12.24 ~ 2020.03.23	0.76% ~ 0.85%	
Total		$ 670,000			

TAIFLEX SCIENTIFIC COMPANY LIMITED
22. STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
December 31, 2019

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Forward foreign exchange contract	Notional amount of CNY12,000 thousand			$ 278	
				$ 278	

TAIFLEX SCIENTIFIC COMPANY LIMITED
23. STATEMENT OF ACCOUNTS PAYABLES
December 31, 2019

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company J		$ 186,936	
Company K		139,248	
Company L		89,288	
Company M		59,916	
Company N		58,953	
Others (Note)		245,928	
Total		$ 780,269	

Note: Vendors with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
24. STATEMENT OF ACCOUNTS PAYABLE – RELATED PARTIES
December 31, 2019

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Koatech Technology Corp.		$ 1,242	
Shenzhen Taiflex Electronic Co., Ltd.		1,850	
Total		$ 3,092	

TAIFLEX SCIENTIFIC COMPANY LIMITED

25. STATEMENT OF OTHER PAYABLES

December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Bonus payables	Year-end and performance bonuses	$ 143,696	
Employee compensation payables		64,632	
Payables on equipment		26,916	
Others (Note)		193,918	
Total		$ 429,162	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

26. STATEMENT OF OTHER PAYABLES – RELATED PARTIES

December 31, 2019

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Innatech Co., Ltd.		$ 7,932	
Taiflex Scientific Japan Co., Ltd.		6,762	
Taiflex USA Corporation		6,367	
Shenzhen Taiflex Electronic Co., Ltd.		133	
Total		$ 21,194	

TAIFLEX SCIENTIFIC COMPANY LIMITED
27. STATEMENT OF LONG-TERM LOANS
December 31, 2019

In Thousands of New Taiwan Dollars

Bank	Type	Amount	Current Portion	Unamortized Syndicated Loan Fee	Net	Contract Term	Interest Rate	Collateral	Repayment
Export-Import Bank of the Republic of China	Medium to long-term credit loan	$ 150,000	$ –	$ –	$ 150,000	2019.06.28-2024.06.28	0.83%~1.05%	None	Principal will be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment.
Export-Import Bank of the Republic of China	Medium to long-term credit loan	300,000	–	–	300,000	2019.06.28-2024.06.28	0.83%~1.05%	None	Principal will be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment.
Mizuho Bank	Medium to long-term credit loan	60,000	–	–	60,000	2019.10.05-2021.10.05	0.83%~1.05%	None	Revolving during the 2 years after the commencement date with monthly interest payment.
Mizuho Bank	Medium to long-term credit loan	150,000	–	–	150,000	2019.10.05-2021.10.05	0.83%~1.05%	None	Revolving during the 2 years after the commencement date with monthly interest payment.
Mizuho Bank	Medium to long-term credit loan	90,000	–	–	90,000	2019.10.05-2021.10.05	0.83%~1.05%	None	Revolving during the 2 years after the commencement date with monthly interest payment.
KGI Bank	Medium to long-term credit loan	150,000	–	–	150,000	2019.07.18-2021.07.18	0.83%~1.05%	None	Revolving during the 2 years after the commencement date with monthly interest payment.
Total		$ 900,000	$ –	$ –	$ 900,000				

TAIFLEX SCIENTIFIC COMPANY LIMITED
28. STATEMENT OF LEASE LIABILITIES
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Description	Lease Term	Discount Rate	Ending Balance	Note
Land		2009.02.01-2068.01.30	1.7970%	$ 243,847	
Buildings		2018.08.20-2021.08.19	1.7970%	1,772	
Transportation equipment		2015.02.26-2024.02.19	1.0511%~1.7970%	15,563	
			Total	$ 261,182	
			Current portion of lease liabilities	(11,058)	
			Lease liabilities – non-current	$ 250,124	

TAIFLEX SCIENTIFIC COMPANY LIMITED
29. STATEMENT OF OTHER CURRENT LIABILITIES
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Amount	Note
Temporary receipts	$ 191	
Receipts under custody	1,771	
Total	$ 1,962	

TAIFLEX SCIENTIFIC COMPANY LIMITED
30. STATEMENT OF DEFERRED INCOME TAX LIABILITIES
December 31, 2019

In Thousands of New Taiwan Dollars

Item	Amount	Note
Deferred income tax liabilities	$ 111,415	

TAIFLEX SCIENTIFIC COMPANY LIMITED
31. STATEMENT OF NET DEFINED BENEFIT LIABILITIES – NON-CURRENT
For the Year Ended December 31, 2019
In Thousands of New Taiwan Dollars

Item	Amount	Note
Beginning balance	$ 138,423	
Expenses incurred	8,962	
Contribution	(2,686)	
Actuarial gain (loss)	74,851	
Ending balance	$ 219,550	

TAIFLEX SCIENTIFIC COMPANY LIMITED
32. STATEMENT OF NET REVENUE
For the Year Ended December 31, 2019
In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Electronic materials	34,614,901	$ 6,902,057
Others (Note)	1,814,447	91,133
Total		6,993,190
Less: Sales returns and discounts and allowances		(73,695)
Net		$ 6,919,495

Note: Items with balances less than 10% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
33. STATEMENT OF COST OF REVENUE
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item			Amount
Manufacturing:			
	Raw materials, beginning balance		$ 604,440
	Add:	Raw materials purchased	3,979,092
	Less:	Raw materials, ending balance	(283,243)
		Others	(73,981)
		Sale of raw materials	(52,591)
		Scrapped	(633)
	Raw materials used		4,173,084
	Direct labor		274,562
	Manufacturing overhead		842,347
	Total manufacturing cost		5,289,993
	Add:	Work in process, beginning balance	46,262
	Less:	Work in process, ending balance	(65,814)
	Cost of finished goods		5,270,441
	Add:	Finished goods, beginning balance	276,763
	Less:	Finished goods, ending balance	(324,277)
		Others	(76,781)
		Scrapped	(8,543)
	Total cost of production and marketing		5,137,603
Trading:			
	Merchandise, beginning balance		4,650
	Add:	Purchases	43,192
	Less:	Merchandise, ending balance	(4,415)
		Others	(129)
		Scrapped	(6)
	Cost of goods sold		5,180,895
	Others		14,463
	Total cost of revenue		$ 5,195,358

TAIFLEX SCIENTIFIC COMPANY LIMITED
34. STATEMENT OF OPERATING EXPENSES
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	$ 37,888	$ 123,488	$ 88,570	$ 249,946
Commissioned research	—	—	90,994	90,994
Export	102,258	—	—	102,258
Others (Note)	102,977	120,839	86,198	310,014
Total	$ 243,123	$ 244,327	$ 265,762	$ 753,212

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
35. STATEMENT OF NON-OPERATING INCOME AND EXPENSES
For the Year Ended December 31, 2019

In Thousands of New Taiwan Dollars

Item	Amount
Interest income	$ 20,774
Dividend income	1,136
Rent income	870
Miscellaneous income	13,915
Total other income	36,695
Gain on disposal of property, plant and equipment	1,481
Foreign exchange (loss) gain, net	(103,220)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	12,395
Other losses	(1,200)
Total other gains and losses	(90,544)
Finance costs	(17,114)
Share of profit or loss of subsidiaries and associates accounted for under the equity method	(139,902)
Total non-operating income and expenses	$ (210,865)