

TAIWAN MASK CORPORATION AND
SUBSIDIARIES
Consolidated Financial Statements
With Independent Auditors' Report Thereon
December 31, 2019 and 2018
(Stork code : 2338)

Address : No. 11, Innovation Rd. I, Science-Based Industrial Park,
Hsinchu, Taiwan, R.O.C.

Telephone : 886-3-563-4370

Taiwan Mask Corporation and Subsidiaries
Affiliates Consolidated Financial Statements

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Truly yours,

Taiwan Mask Corporation

Chairman: Michael, Tsai

2020/3/17

Auditor's Report

To Taiwan Mask Corporation,

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Mask Corporation and its subsidiaries (the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Financial Supervisory Commission Letter No. 1090360805 of February 25, 2020" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2019; we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS") for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our

report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Group’s consolidated financial statements in the current period are stated as follows:

Evaluation of Inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(6) for the detail description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2019 is NT\$ 331,580 thousand and NT\$ 86,423 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management’s judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the policy on allowance for inventory valuation loss based on our understanding of the Group's operations and industry.
2. The test is used to evaluate the inventory aging report used and the inventory cost net realizable value which is lower, including verification of the relevant supporting documents of the inventory transaction date, confirming the correct classification of the inventory age; verifying the supporting documentation of the net realizable value, evaluation and confirm the rationality of the net realizable value decision.
3. Verify the reasonableness of allowance for inventory valuation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (28) of the financial report and sales revenue please refer to Note 6(21); the operating income in 2019 is NT\$3,468,682.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows :

1. Understand the type of major income and assess internal operations, review revenue recognition and accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.

3. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Other matter-Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Independent Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

For and on behalf of PricewaterhouseCoopers, Taiwan

Daniel Lee

Certified Public Accountants

Tina Cheng

Taiwan Mask Corporation and Subsidiaries

Consolidated Balance Sheets

DECEMBER 31, 2019 AND 2018

in thousand NTD

Assets			DECEMBER 31, 2019		DECEMBER 31, 2018			
			Notes	AMOUNT	%	AMOUNT	%	
Current Assets								
1100	Cash and Cash Equivalents	6(1)	\$	946,517	16	\$	563,408	15
1110	Financial Asset at Fair Value Through Profit or Loss-Cur.	6(2)		500	-		-	-
1136	Financial Assets at Amortized Cost-Cur.	6(4) and 8		40,236	1		54,335	1
1140	Contract Asset— Cur.	6(21)		18,121	-		-	-
1150	Notes Receivables(Net)	6(5)		-	-		1,277	-
1170	Accounts Receivables(Net)	6(5)		729,536	13		597,152	16
1180	Accounts Receivables— Related Parties(Net)	6(4) and 7		1,568	-		4,178	-
1200	Other Receivables			17,032	-		13,607	-
1210	Other Receivables— Related Parties	7		205,568	-		4,636	-
1220	Tax Assets			269	-		710	-
130X	Inventories	6(6)		245,157	4		408,575	11
1410	Prepayments			48,240	1		77,026	2
1470	Other Current Assets			6,190	-		9,479	-
11XX	Total Current Assets			2,258,934	39		1,734,383	45
Non-Current Assets								
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)		992,784	17		731,826	19
1517	Financial assets measured at fair value through other comprehensive income— Non Cur.	6(3)		-	-		-	-
1535	Financial Assets at Amortized Cost-Non Cur.	6(4) and 8		34,254	1		29,727	1
1550	Investment under Equity Method	6(7)		98,429	2		126,760	3
1600	Properties, Plants and Equipment	6(8) and 8		1,546,919	27		966,563	25
1755	Right-of-use asset	6(9)		427,729	8		-	-
1760	Investment property (Net)	6(11)		38,687	1		-	-
1780	Intangible Assets			126,776	2		112,544	3
1840	Deferred Income Tax Assets	6(27)		5,079	-		5,238	-
1900	Other Non-Current Assets			196,779	3		157,277	4
15XX	Total Non-Current Assets			3,467,436	61		2,129,935	55
1XXX	Total Assets		\$	5,726,370	100	\$	3,864,318	100

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2019 AND 2018

in thousand NTD

Liabilities and Equities			DECEMBER 31, 2019		DECEMBER 31, 2018	
			Notes	AMOUNT	%	AMOUNT
Current Liabilities						
2100	Short Term Loans	6(12)	\$ 804,938	14	\$ 591,000	15
2130	Contract Liabilities- Current	6(21)	39,856	21	58,701	2
2150	Notes Payables		65	-	54	-
2170	Accounts Payables		369,827	6	236,387	6
2200	Other Payables	6(13)	412,512	7	287,675	7
2220	Other Payables— Related Parties	7	1,432	-	1,003	-
2230	Current Income Tax Liabilities		17,668	-	17,744	1
2280	Lease liability -Current		38,005	1		
2300	Other Current Liabilities	6(14)				
		(15)	34,103	1	45,733	1
21XX	Total Current Liabilities		1,718,406	30	1,238,297	32
Non-Current Liabilities						
2540	Long-term Loans	6(14)	439,084	8	-	-
2570	Deferred Income Tax	6(27)	32,181	-	17,189	-
2580	Lease liability -Non Current		393,386	7		
2640	Defined Benefit Liabilities- Non Current	6(16)	20,311	-	21,917	1
2645	Guarantee deposits received		1,544	-	3,223	-
2670	Other Non-Current Liabilities	6(15)	-	-	9,881	-
25XX	Total Non-Current Liabilities		886,506	1	52,210	1
2XXX	Total Liabilities		2,604,912	33	1,290,507	33
Equities Attributable to Parent Company						
Stock						
3110	Common Stock	6(17)	2,527,136	44	2,527,136	65
Additional Paid-in Capital						
3200	Additional Paid-in Capital	6(18)	322,777	5	169,431	5
Retained Earnings						
3310	Legal Reserve	6(19)	544,712	10	524,792	14
3320	Special Reserve		-	-	14,287	-
3350	Uncompensated Deficit		432,801	8	(199,736	5
Other Equities						
3400	Other Equities	6(20)	(1,872)	-	7,853	-
3500	Treasury Stock	6(17)	(835,332)	(15)	(884,741)	(23)
31XX	Total Equities Attributable to Parent Company		2,990,222	52	2,558,494	66
36XX	Non-Controlling Interests		131,236	3	15,317	1
3XXX	Total Equities		3,121,458	55	2,573,811	67
Major Commitments and Contingencies			9			
Major Events after Financial Statement Date			11			
3X2X	Total Liabilities and Equities		\$ 5,726,370	100	\$ 3,864,318	100

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018							in thousand NTD
		(Except gain (loss) per share is in NTD)					
		2019		2018			
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating Incomes	6(21)	\$ 3,468,682	100	\$ 2,885,982	100	
5000	Operating Costs	6(6)	(2,856,280)	(82)	(2,256,974)	(78)	
5900	Gross Income from Operations		612,402	18	629,008	22	
Operating Expenses							
6100	Selling Expenses		(147,481)	(4)	(114,735)	(4)	
6200	Administrative Expenses		(229,701)	(7)	(143,525)	(5)	
6300	R & D Expenses		(220,885)	(7)	(113,965)	(4)	
6450	Expected Credit Impairment Benefit	12(2)	(7,006)	-	2,753	-	
6000	Total Operating Expenses		(605,073)	(18)	(369,472)	(13)	
6900	Operating Gain & Loss		7,329	-	(259,536)	9	
Non-Operating Incomes and Losses							
7010	Other Incomes	6(22)	59,634	2	30,044	1	
7020	Other Gains and Losses	6(23)	368,938	11	(36,415)	(1)	
7050	Financial Costs	6(24)	(15,849)	(1)	(5,573)	-	
7060	The share of affiliates and joint venture profits and losses recognized by the equity method		(45,535)	(1)	(43,946)	(2)	
7000	Total Non-Operating Incomes and Losses		367,188	11	(55,890)	(2)	
7900	Earnings (Loss)Before Tax		374,517	11	(203,646)	7	
7950	Income Tax Expense (Benefit)	6(27)	(62,577)	(2)	(57,826)	(2)	
8200	Net Income (Loss)		\$ 311,940	9	\$ 145,820	5	

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018					
		in thousand NTD			
		(Except gain (loss) per share is in NTD)			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
Other Comprehensive Incomes					
(Net)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Re-measurements of defined benefit plan	\$ 1,527	-	\$ 650	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	(2,789)	-	-	-
8310	Total items that will not be reclassified subsequently to profit or loss	(1,262)	-	650	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations	(7,078)	-	649	-
8360	Total Components of other comprehensive income that will be reclassified to profit or loss	(7,078)	-	649	-
8500	Total Comprehensive Incomes	<u>\$ 303,600</u>	<u>9</u>	<u>\$ 147,119</u>	<u>5</u>
Net Incomes (Losses) Attributable to :					
8610	Parent Company	\$ 431,254	12	\$ 199,203	7
8620	Non-Controlling Interest	(119,314)	(3)	(53,383)	(2)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		in thousand NTD (Except gain (loss) per share is in NTD)			
Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
Total		\$ 311,940	9	\$ 145,820	5
Total Comprehensive Incomes					
(Losses) Attributable to :					
8710 Parent Company		\$ 423,056	12	\$ 200,011	7
8720 Non-Controlling Interest		(119,456)	(3)	(52,892)	(2)
Total		\$ 303,600	9	\$ 147,119	5
Basic Gain (Loss) per Share	6(28)				
9750 Net Gain (Loss)		\$ 2.19		\$ 1.02	
Diluted Gain or Loss per Share	6(28)				
9850 Net Gain (Loss)		\$ 2.18		\$ 1.01	

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Changes of Equities Statements
For The Years Ended December 31, 2019 and 2018

in thousand NTD

Equities Attributable to Parent Company											
Retained Earnings					Other Equities						
Common Stock	Additional Paid-in Capital	Legal Reserves	Special Reserves	Uncompensated Deficit	Conversion balance of financial statement translation of foreign operating agencies	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Evaluation Profit and Loss of Available-for-Sal es Financial Assets	Treasury Stock	Total	Non-Control ling Interest	Total Equities
\$ 2,527,136	\$ 212,948	\$ 599,009	\$ 14,287	(\$ 74,216)	\$ 7,451	\$ -	\$ 3,756	(\$ 884,741)	\$ 2,405,630	\$ 73,510	\$ 2,479,140
-	-	-	-	3,756	-	-	(3,756)	-	-	-	-
<u>2,527,136</u>	<u>212,948</u>	<u>599,009</u>	<u>14,287</u>	<u>(70,460)</u>	<u>7,451</u>	<u>-</u>	<u>-</u>	<u>(884,741)</u>	<u>2,405,630</u>	<u>73,510</u>	<u>2,479,140</u>
-	-	-	-	199,203	-	-	-	-	199,203	(53,383)	145,820
-	-	-	-	406	402	-	-	-	808	491	1,299
-	-	-	-	199,609	402	-	-	-	200,011	(52,892)	147,119
-	-	(74,217)	-	74,217	-	-	-	-	-	-	-
-	(4,946)	-	-	(3,630)	-	-	-	-	(8,576)	-	(8,576)
-	(38,571)	-	-	-	-	-	-	-	(38,571)	-	(38,571)
-	-	-	-	-	-	-	-	-	-	(5,301)	(5,301)
<u>\$ 2,527,136</u>	<u>\$ 169,431</u>	<u>\$ 524,792</u>	<u>\$ 14,287</u>	<u>\$ 199,736</u>	<u>\$ 7,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 884,741)</u>	<u>\$ 2,558,494</u>	<u>\$ 15,317</u>	<u>\$ 2,573,811</u>
<u>\$ 2,527,136</u>	<u>\$ 169,431</u>	<u>\$ 524,792</u>	<u>\$ 14,287</u>	<u>\$ 199,736</u>	<u>\$ 7,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 884,741)</u>	<u>\$ 2,558,494</u>	<u>\$ 15,317</u>	<u>\$ 2,573,811</u>
-	-	-	-	431,254	-	-	-	-	431,254	(119,314)	311,940
-	-	-	-	1,527	(7,059)	(2,666)	-	-	(8,198)	(142)	(8,340)
-	-	-	-	432,781	(7,059)	(2,666)	-	-	423,056	(119,456)	303,600
-	-	19,920	-	(19,920)	-	-	-	-	-	-	-
-	-	-	(14,287)	14,287	-	-	-	-	-	-	-
-	-	-	-	(194,083)	-	-	-	-	(194,083)	-	(194,083)
-	30,926	-	-	-	-	-	-	-	30,926	-	30,926
-	(5,333)	-	-	-	-	-	-	-	(5,333)	47,132	41,799
-	17,809	-	-	-	-	-	-	-	17,809	-	17,809
-	109,628	-	-	-	-	-	-	49,409	159,037	-	159,037
	316								316		316
-	-	-	-	-	-	-	-	-	-	(584)	(584)
-	-	-	-	-	-	-	-	-	-	188,827	188,827
<u>\$ 2,527,136</u>	<u>\$ 322,777</u>	<u>\$ 544,712</u>	<u>\$ -</u>	<u>\$ 432,801</u>	<u>\$ 794</u>	<u>(\$ 2,666)</u>	<u>\$ -</u>	<u>(\$ 835,332)</u>	<u>\$ 2,990,222</u>	<u>\$ 131,236</u>	<u>\$ 3,121,458</u>

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2019	FOR THE YEARS ENDED DECEMBER 31,2018
Cash Flow from Operating Activities			
Net Income(Loss) Before Tax		\$ 374,517	\$ 203,646
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(25)	279,470	146,423
Amortization	6(25)	7,779	3,131
Expected Credit Impairment Benefit / Bad Debt Expenses	12(2)	7,006	(2,753)
Interest Incomes	6(22)	(9,270)	(3,158)
Interest Expenses	6(24)	15,849	5,573
Allowances for Sales Return and Discounts		-	-
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(23)	(354,635)	12,430
Dividend income	6(22)	(25,755)	(16,264)
Share-based payment transaction	6(18)	109,628	
The Share of Affiliates Profits and Losses Recognized by the Equity Method		45,535	43,946
Gains (loss) on Disposal of Property, Plants and Equipment	6(23)	(1,916)	33,489
Property, Plants and Equipment reclassified as an expense		962	
Gain (loss) on disposal of investments	6(23)	(22,121)	649
Impairment Loss of Financial Assets	6(23)		(3,735)
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss		81,328	(529,269)
Contract Assets	(	2,618)	
Notes Receivable		1,241	1,356
Accounts Receivable	(	95,589)	(94,491)
Accounts Receivable-related Parties		2,610	(935)
Other Receivables	(	1,906)	4,022
Other Receivables-related Parties	(	11,390)	4,251
Inventories		39,020	(12,744)
Prepayments		29,030	3,775
Other Current Assets		3,390	6,908
Other Non Current Assets	(	45)	
The Changes of Liabilities related to Operating Activities			
Contract Liabilities	(	18,541)	(24,888)
Notes Payable		-	(181)
Accounts Payable		94,562	43,488
Other Payables		104,264	39,102
Other Payables- related Parties		96	1,003
Other Current Liabilities		22,649	(3,615)
Accrued Pension Liability	(	79)	(7,102)
Other Non-Current Liabilities		-	-
Net Cash In-Flow (Out-Flow) from Operating Activities		675,071	(145,943)
Interest Received		7,601	3,112
Dividends Received		51,365	16,264
Interest Paid	(	15,313)	(4,469)
Income Tax Paid	(	46,979)	(28,403)
Net Cash In-Flow(Out-Flow) from Operating Activities		(671,745)	(159,439)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2019	FOR THE YEARS ENDED DECEMBER 31,2018
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 90,548)	(\$ 32,635)
Disposal of Amortized Cost Financial Assets		129,275	15,995
Disposal of Debt Investment in No Active Market		-	-
Acquisition of Available-for-sales Financial Assets		-	-
Disposal of Available-for-sales Financial Assets		-	-
Acquisition of investment property by the Equity Method		(65,000)	(66,991)
Cash In-Flow from Merge	6(29)	86,656	
Cash Out-Flow from Merge	6(31)	(25,037)	(149,693)
Acquisition of Property, Plants and Equipment	6(31)	(703,667)	(205,618)
Disposal of Property, Plants and Equipment		4,396	29,453
Acquisition of Intangible Assets		(3,420)	(2,163)
Increase of Refundable Deposits		82	(1,105)
Other Receivables-related Parties		(20,000)	-
Net Cash In-Flow(Out-Flow) from Investment Activities		(687,263)	(412,757)
<u>Cash Flow from Funding Activities</u>			
Increase of Short Term Loan	6(32)	1,292,495	916,000
Redemption of Short Term Loan	6(32)	(1,209,845)	(406,253)
Increase of Long Term Loan	6(32)	444,428	
Redemption of Long Term Loan	6(32)	(8,045)	(26,303)
Distribution of cash dividends	6(19)	(163,157)	
Treasury stocks transfer to employees		49,409	-
Redemption of Lease Principal	6(32)	(37,157)	-
Lease account payable		-	11,525
Increase of Guarantee Deposits	6(32)	(2,512)	3,029
Shareholders do not receive dividends reclassified as Additional Paid-in Capital		316	
Subsidiary cash increase non-controlling equity input		40,000	-
Net Cash In-Flow (Out-Flow) from Funding Activities		405,932	497,998
Adjustments of Exchange Rate		(7,305)	651
Increase (Decrease) of Cash and Cash Equivalents		383,109	(73,547)
Beginning Balance of Cash and Cash Equivalents		563,408	636,955
Ending Balance of Cash and Cash Equivalents		\$ 946,517	\$ 563,408

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

TAIWAN MASK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1、HISTORY

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The Company and the subsidiaries (the Group) is primarily engaged in the research, development, manufacturing and selling of Mask and Circuit, and also provide technology assistance, consultation, inspection and maintenance services for Mask and Circuit. The Group is also manufacturing and selling medical wares.

2、THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors and issued on March 17, 2020.

3、APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments to IFRSs as endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no

significant impact to the Group's financial condition and financial performance based on the Group's assessment:

IFRS 16, "Leases"

- A. IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.
- B. When applying the version of the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation (hereinafter referred to as IFRSs), which is recognized by Financial Supervisory Commission, the Group expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2018, the Group will have to increase 'right-of-use asset' by \$358,566 and increase lease liability by \$348,133, respectively.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (A) Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (B) The use of single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (C) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (D) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate which ranging from 1.136% to 7.223%.
- E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	\$	130,929
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		18,119
Less: Low-value assets	(	1,102)
Add/Less: Adjustments as a result of a different treatment of extension and termination options		318,759
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	466,705
Incremental borrowing interest rate at the date of initial application		1.136%~7.223%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	348,133

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, "Disclosure Initiative - Definition of Material"	January 1, 2020
Amendments to IFRS 3, "Definition of a business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest rate benchmark reform"	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 1, "Classification of liabilities as current or noncurrent"	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4、SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Financial assets at fair value through other comprehensive income measured at fair value.
- (C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note

5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Investing in communication business	100	100	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Investing in communication business	100	100	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Taiwan Mask Corporation	Weida Hi-Tech CO., LTD.	Research, design, development, manufacturing and sales of display panel control chips and modules	100	100	Note 1
Taiwan Mask Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	-	30.26	Note 2
Youe Chung Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	-	32.06	Note 2
Youe Chung Capital Corporation	Aptos Technology INC.	Design, packaging and testing of NAND flash memory and solid state hard disk and other related products	38.16	-	Note 3
Aptos Technology	Adl Engineering INC.	Electronic components	52.19	-	Note 3
Aptos Technology INC.	New Sunrise Limited	Investing in communication business	100	-	Note 3、Note 4
Adl Engineering INC.	Aptos Global Holding Corp.	Investing in communication business	100	-	Note 3
Aptos Global Holding Corp.	Aptos Technology Co., Limited	Investing in communication business	100	-	Note 3
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Investing in communication business	100	100	
Miracle Technology CO., LTD.	Miracle Technology (Samoa)Co., Ltd.	Investing in communication business	100	100	
Jingjing Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Jingjing Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Miracle Technology (Samoa)Co., Ltd.	Misun Technology Co., Ltd.	Investing in communication business	100	100	
Misun Technology Co., Ltd.	Miracle International Enterprise(Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	64.29	64.29	

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2019	December 31, 2018	
Miracle International Enterprise(Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	35.71	35.71	
Weida Hi-Tech CO., LTD.	Touch Hi-Tech	Touch screen system hardware design and software development and production	100	100	Note 1
Weida Hi-Tech CO., LTD.	Smart Touch Co., Ltd.	Investing in communication business	100	100	Note 1
Weida Hi-Tech CO., LTD.	Central Star Ltd.	Investing in communication business	22.30	22.30	Note 1
Smart Touch Co., Ltd.	Central Star Ltd.	Investing in communication business	77.70	77.70	Note 1
Innova Vision INC.	Innova Technology Company	Medical device manufacturing, wholesale and trading	-	100	Note 2
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	Investing in communication business	-	100	Note 2
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	-	9.23	Note 2
Innova Vision INC.	Calaview International Holding Company Limited	Investing in communication business	-	100	Note 2、 Note 5
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	-	90.77	Note 2
Calaview International Holding Company Limited	Innova Vision Shenzhen	Medical device manufacturing, wholesale and trading	-	100	Note 2、 Note 5

Note1 : In August 2018, the company obtained control through the acquisition of the equity of Wei Dao Hi-Tech Co., Ltd., and incorporated the income and loss of the company and its subsidiaries into the consolidated statement since the acquisition of control 100% equity in November 2018.

Note2 : Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Group did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the company. Therefore, the Group has not included Innova Vision INC. and its subsidiaries in the consolidated financial report since that date. For cash flow

information related to this subsidiary, please refer to Note 6 (31) Cash Flow Information.

Note3 : On June 28, 2019, Aptos Technology INC. held a shareholders' meeting to select the directors. The company's subsidiary, Youe Chung Capital Corporation was elected as the company's board of directors and obtained substantial control over the company. Thus, the Group included Aptos in the consolidated financial statements from that date.

Note4 : As of the end of the December 31, 2019, the cash have not been remitted.

Note5 : The Group acquired Calaview International Holding Company Limited 100% shares from January 2018, also acquired its subsidiary Innova Vision Shenzhen 100% shares indirectly. Starting from that time, the income and loss from Calaview and its subsidiary were combined into the consolidated financial statements of the company. As Note2 supp, the Group loss of control over the company on May 3, 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018 the non-controlling interest amounted to \$131,236 and \$15,317, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

subsidiary	Main business activities	Non-controlling interest				Remark
		December 31, 2019		December 31, 2018		
		Amount	Ownership (%)	Amount	Ownership (%)	
Inova Vision INC. and subsidiary	Taiwan	\$ -	-	\$ 15,317	37.68%	
Aptos Technology INC. and Subsidiaries	Taiwan	131,236	61.84%	-	-	

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>December 31, 2019</u>	
Current assets	\$	227,391
Non-current assets		233,036
Current liabilities	(	246,988)
Non-current liabilities	(	87,471)
Total net assets	\$	125,968

	<u>Innova Vision INC. and subsidiary</u>	
	<u>December 31, 2018</u>	
Current assets	\$	230,150
Non-current assets		74,607
Current liabilities	(	259,250)
Non-current liabilities	(	4,854)
Total net assets	\$	40,653

Statements of comprehensive income

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>2019</u>	
Revenue	\$	530,067
Loss before income tax	(	154,923)
Income tax expense		-
Loss for the period from continuing operations	(	154,923)
Loss for the period	(	154,923)
Other comprehensive income, net of tax	(	8,978)
Total comprehensive income for the period	(\$	163,901)
Comprehensive income attributable to non-controlling interest	(\$	104,723)
Dividends paid to noncontrolling interest	\$	-

	<u>Innova Vision INC. and subsidiary</u>	
	<u>2018</u>	
Income	\$	161,782
Gain (loss) before income tax	(\$	124,489)
Tax income(gain)	(	5,621)
Income (loss) from Continuing Operation	(	130,110)
Income (loss) from Continuing Operation	(	130,110)
Other comprehensive income (net after tax)	(	1,565)
Total comprehensive income for the period	(\$	131,675)
Total comprehensive income attributable to Non-controlling interest	(\$	55,482)
Payment to non-controlling equity dividends	\$	-

Statements of cash flows

	<u>Aptos Technology INC. and Subsidiaries</u>	
	<u>2019</u>	
Net cash provided by operating activities	(\$	87,991)
Net cash provided by investing activities	(	2,314)
Net cash provided by financing activities		123,541
Increase in cash and cash equivalents		33,236
Cash and cash equivalents, beginning of period		54,366
Cash and cash equivalents, end of period	\$	87,602

	<u>Innova Vision INC. and subsidiary</u>	
	<u>2018</u>	
Net cash provided by operating activities	(\$	12,842)
Net cash provided by investing activities	(	25,167)
Net cash provided by financing activities		51,651
Effects of exchange rate change on cash and cash	(	2,214)
Net increase (decrease) in cash and cash equivalents		11,428
Cash and cash equivalents at beginning of year		17,612
Cash and cash equivalents at end of year	\$	29,040

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the

transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (A) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity

and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (B) Assets held mainly for trading purposes;
 - (C) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (A) Liabilities that are expected to be settled within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Fair value through other comprehensive income financial assets

- A. At initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Group's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (A) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (B) The assets' contractual cash flows represent solely payments of principal and interest.
- 2. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the

impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the

Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~56years
Machinery and equipment	2~14years
Utility equipment	3~6years
Transportation equipment	3~6years
Leasehold assets	2~10years
Mold equipment	2years
Other equipment	3~5years

(16) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payment, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (A) The amount of the initial measurement of lease liability,
 - (B) Any lease payments made at or before the commencement date, and
 - (C) Any initial direct costs incurred by the lessee,
 - (D) Estimated cost of requisitioning, removing the underlying asset and restoring its location, or restoring the underlying asset to the state required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an adjustment to the right-of-use asset.

(17) Leased assets/ operating leases

Effective 2018

Payments made under an operating lease (net of any incentives received

from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 45 years.

(19) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 15 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of

units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency

and term consistent with the currency and term of the employment benefit obligations.

- ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the financial reporting period. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates

to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly

attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and paid-in capital in excess on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (A) The Group manufacturing and selling of Mask and Circuit, also medical wares. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (B) As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (C) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor income

The Group mainly provides integrated circuit packaging services. The actual services and fees provided will be different according to different customers, and will be negotiated separately before

the service is provided, and the market price will be at that time. The recognition of performance obligations under the client's contract is primarily a packaged service, and the revenue is recognized by measuring the degree of completion of the performance obligation during the service period.

With the packaged services provided, the customer obtains and consumes the performance benefits at the same time, and the customer controls the assets when the assets are created or strengthened. The relevant income is recognized by the degree of completion of the performance obligation during the service provision. The packaging service measures the completion rate based on the proportion of incurred costs to the estimated total cost. After completion of the agreed contract agreed with the customer service or shipping open bill, it is to provide service when the system is recognized contract assets, to be customers of the Group agreed to open a bill transferred receivables when billing.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any

previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as president of company that makes strategic decisions.

5、CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31 2019, the carrying amount of inventories was \$245,157.

6、DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	\$ 771	\$ 3,182
Checking accounts and demand	760,760	535,426
Time deposits	184,986	24,800
Total	<u>\$ 946,517</u>	<u>\$ 563,408</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	\$ 500	\$ -
Valuation adjustment	-	-
Total	<u>\$ 500</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 560,954	\$ 613,771
Unlisted stocks	112,694	63,926
Private Offered Fund	-	110,247
	673,648	787,944
Valuation adjustment	319,136	(56,118)
Total	<u>\$ 992,784</u>	<u>\$ 731,826</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 344,139	(\$ 20,269)
Unlisted stocks	12,570	10,836
Beneficiary certificate	-	89
Private Offered Fund	20,047	-
Total	<u>\$ 376,756</u>	<u>(\$ 9,344)</u>

B. The Group has no financial assets at fair value through profit or loss

pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2) and (3).

D. The cash dividends received by the Group from financial assets mandatorily measured at fair value through profit or loss -equity instruments in 2019 are \$51,365, \$25,610 is investment cost return and \$25,755 is dividend income. Please refer to Note 6(22).

(3) Fair value through other comprehensive income financial assets

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity Instrument		
Unlisted stocks	\$ 199	\$ -
Valuation adjustment	(199)	-
Total	\$ -	\$ -

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted was \$0 as at December 31, 2019 and 2018, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2019	2018
<u>Equity Instrument at fair value</u>		
<u>through other comprehensive</u>		
<u>income</u>		
Changes in fair value recognized		
in other comprehensive gains		
and losses	(\$ 2,789)	\$ -

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$0, respectively.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2) and (3).

(4) Financial assets at amortized cost

Items	December 31, 2019	December 31, 2018
Current items:		
Deposits in banks	\$ 3,004	\$ -
Time deposits	37,232	54,335
Total	\$ 40,236	\$ 54,335
Non-current items:		
Time deposits	\$ 34,254	\$ 29,727

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

	2019	2018
Interest income	\$ 364	\$ 797

B. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$74,490 and \$84,062, respectively.

C. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ -	\$ 1,277
Accounts receivable	\$ 737,295	\$ 599,932
Accounts receivable-related parties	1,568	4,178
	738,863	604,110
Less: Allowance for uncollectible accounts	(7,759)	(2,780)
	\$ 731,104	\$ 601,330

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 636,020	\$ -	\$ 483,098	\$ 1,277
Up to 30 days	64,111	-	76,987	-
31 to 90 days	32,938	-	32,436	-
91 to 180 days	5,562	-	2,288	-
Over 180 days	232	-	9,301	-
	\$ 738,863	\$ -	\$ 604,110	\$ 1,277

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balances of receivables (including notes receivable) from contracts with customers. As of January 1, 2018, the balances of receivables amounted to \$496,749,

respectively.

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$731,104 and \$601,330, respectively.

D. Information about credit risk of notes and accounts receivable is provided in Note 12(2).

(6) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 201,044	(\$ 54,945)	\$ 146,099
Work in progress	36,657	(5,408)	31,249
Finished goods	68,350	(17,673)	50,677
Merchandise inventories	25,529	(8,397)	17,132
Total	<u>\$ 331,580</u>	<u>(\$ 86,423)</u>	<u>\$ 245,157</u>
December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 140,121	(\$ 33,540)	\$ 106,581
Work in progress	151,214	(39,685)	111,529
Finished goods	216,131	(85,464)	130,667
Merchandise inventories	62,081	(2,283)	59,798
Total	<u>\$ 569,547</u>	<u>(\$ 160,972)</u>	<u>\$ 408,575</u>

The cost of inventories recognized as expense for the period:

	2019	2018
Cost of goods sold	\$ 2,836,245	\$ 2,248,479
Allowance for valuation and obsolescence loss	11,743	10,296
Scrap loss	7,187	-
Revenue from sale of scraps	(141)	(882)
Others	1,246	(919)
	<u>\$ 2,856,280</u>	<u>\$ 2,256,974</u>

(7) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Associates:		
Advagene Biopharma Co., Ltd.	<u>\$ 98,429</u>	<u>\$ 126,760</u>

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>2019</u>	<u>2018</u>
Income (Loss) from Continuing Operation	(\$ 91,615)	(\$ 111,323)
Other comprehensive income (net after tax)	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the period	<u>(\$ 91,615)</u>	<u>(\$ 111,323)</u>

(8) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
At January 1, 2019										
Cost	\$ 1,543,908	\$ 2,217,354	\$ 28,424	\$ 4,292	\$ 28,161	\$ 5,087	\$ 24,578	\$ 9,537	\$ 15,345	\$ 3,876,686
Accumulated	(1,003,788)	(1,840,719)	(14,694)	(3,029)	(23,515)	(3,148)	(18,026)	(3,204)	-	(2,910,123)
	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>
2019										
January 1	\$ 540,120	\$ 376,635	\$ 13,730	\$ 1,263	\$ 4,646	\$ 1,939	\$ 6,552	\$ 6,333	\$ 15,345	\$ 966,563
Combined transfer number	-	212,999	-	-	-	5,130	18,387	-	-	236,516
Merging individuals reduces the number of transfer out-costs	(3,480)	(227,855)	(2,256)	(1,167)	(28,161)	(5,087)	(11,941)	-	-	(279,947)
Merging individuals to reduce the number of transfers-cost	795	146,348	2,217	1,167	24,119	3,556	11,123	-	-	189,325
Merging individuals to reduce the number of transfers-										
Accumulated depreciation	-	65,308	-	-	-	-	-	-	-	65,308
Acquisitions	22,080	390,338	1,145	-	-	570	21,067	-	243,564	678,764
Disposals-Cost	(509,460)	(796,857)	(5,788)	-	-	-	-	-	-	(1,312,105)
Disposals-Accumulated depreciation	506,980	796,857	5,788	-	-	-	-	-	-	1,309,625
Depreciation	(38,533)	(178,298)	(4,699)	(365)	(604)	(3,368)	(12,376)	-	-	(238,243)
Reclassification-Cost	(39,704)	(28,279)	-	-	-	-	-	(9,537)	(5,265)	(82,785)
Reclassification-Accumulated depreciation	4,641	6,060	-	-	-	-	-	3,204	-	13,905
Net exchange differences-Cost	-	-	(16)	(35)	-	-	-	-	-	(51)
Net exchange differences-Accumulated depreciation	-	-	11	33	-	-	-	-	-	44
December 31	<u>\$ 483,439</u>	<u>\$ 763,256</u>	<u>\$ 10,132</u>	<u>\$ 896</u>	<u>\$ -</u>	<u>\$ 2,740</u>	<u>\$ 32,812</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$ 1,546,919</u>
December 31, 2019										
Cost	\$ 1,013,344	\$ 1,767,700	\$ 21,509	\$ 3,090	\$ -	\$ 5,700	\$ 52,091	\$ -	\$ 253,644	\$ 3,117,078
Accumulated depreciation and impairment	(529,905)	(1,004,444)	(11,377)	(2,194)	-	(2,960)	(19,279)	-	-	(1,570,159)
	<u>\$ 483,439</u>	<u>\$ 763,256</u>	<u>\$ 10,132</u>	<u>\$ 896</u>	<u>\$ -</u>	<u>\$ 2,740</u>	<u>\$ 32,812</u>	<u>\$ -</u>	<u>\$ 253,644</u>	<u>\$ 1,546,919</u>

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
January 1, 2018										
Cost	\$ 1,490,342	\$ 2,201,484	\$ 18,470	\$ 4,848	\$ 112,728	\$ 16,837	\$ 12,137	\$ 5,903	\$ 10,666	\$ 3,873,415
Accumulated depreciation and impairment	(965,516)	(1,812,298)	(10,901)	(3,199)	(68,800)	(12,479)	(11,002)	-	-	(2,884,195)
	<u>\$ 524,826</u>	<u>\$ 389,186</u>	<u>\$ 7,569</u>	<u>\$ 1,649</u>	<u>\$ 43,928</u>	<u>\$ 4,358</u>	<u>\$ 1,135</u>	<u>\$ 5,903</u>	<u>\$ 10,666</u>	<u>\$ 989,220</u>
2018										
January 1	\$ 524,826	\$ 389,186	\$ 7,569	\$ 1,649	\$ 43,928	\$ 4,358	\$ 1,135	\$ 5,903	\$ 10,666	\$ 989,220
Combined transfer number	-	-	777	-	-	-	3,597	-	-	4,374
Acquisitions	53,552	103,219	10,113	-	2,327	2,569	4,705	3,634	4,679	184,798
Disposals-Cost	-	(87,351)	(2,208)	(537)	(86,894)	-	(15,557)	-	-	(192,547)
Disposals- Accumulated depreciation	-	58,218	1,481	537	53,891	-	15,478	-	-	129,605
Depreciation	(38,258)	(86,637)	(4,002)	(384)	(8,606)	(2,526)	(2,806)	(3,204)	-	(146,423)
Transfer to expense-Cost	-	-	-	-	-	(14,319)	-	-	-	(14,319)
Transfer to expense- Accumulated depreciation	-	-	-	-	-	11,857	-	-	-	11,857
Net exchange differences-Cost	14	2	84	(19)	-	-	-	-	-	81
Net exchange differences- Accumulated depreciation	(14)	(2)	(84)	17	-	-	-	-	-	(83)
December 31	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>
December 31, 2018										
Cost	\$ 1,543,908	\$ 2,217,354	\$ 28,424	\$ 4,292	\$ 28,161	\$ 5,087	\$ 24,578	\$ 9,537	\$ 15,345	\$ 3,876,686
Accumulated depreciation and impairment	(1,003,788)	(1,840,719)	(14,694)	(3,029)	(23,515)	(3,148)	(18,026)	(3,204)	-	(2,910,123)
	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2019	2018
Amount capitalised	\$ 943	\$ -
Range of the interest rates for capitalisation	1.797%	-

B. The significant components of buildings include main land, building and factory, which is/are depreciated over 3 and 56 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

D. The property, plant and equipment of the Group are used for their own use.

(9) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including lands, buildings, machinery equipment, transportation equipment, and so on. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise other equipment. Low-value assets comprise other equipment.

C. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2019
	Book value
Land	\$ 313,911
Buildings	109,918
Transportation	3,900
	\$ 427,729
	2019
	Depreciation
Land	\$ 11,564
Buildings	22,952
Machinery and equipment	2,693
Transportation	3,339
	\$ 40,548

D. As of the year ended December 31, 2019, the increases to right-of-use

assets was \$69,292. Due to merger individual transfer in, right-of-use assets was increased \$60,772, and at the same periods, reduced \$826.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>2019</u>	
<u>Items affecting profit or loss</u>		
Interest expense of lease liabilities	\$	4,118
Expenses of a short-term lease contract		181
Expenses of leases of low-value assets		600

F. As of the year ended December 31, 2019, the Group's total cash outflow for leases was \$42,056, respectively.

G. Lease extension option and lease termination option

When the Group determines the lease term, it considers all the facts and circumstances in which the exercise of the option is extended or the termination of the option does not result in an economic incentive. The lease period will be re-estimated when a significant event occurs that affects the exercise of the extension option or the non-exercise termination option.

(10) Leasing arrangements – lessor

Effective 2019

A. The underlying assets leased by the Group are construction. The duration of the lease contract is usually between 1 and 2 years. The lease contract is negotiated separately and contains various terms and conditions. In order to preserve the use of leased assets, the lessee is usually required not to use the leased assets as a loan guarantee.

B. The maturity date of the Group's undiscounted lease payments leased under operating leases is as follows:

	<u>December 31, 2019</u>	
2020	\$	2,043

(11) Investment Property

	<u>Buildings</u>
At January 1, 2019	
Cost	\$ -
Accumulated depreciation and impairment	-
	<u>\$ -</u>
<u>2019</u>	
January 1	\$ -
Reclassifications-Cost	44,007
Reclassifications-Accumulated Depreciation	(4,641)
Depreciation	(679)
December 31	<u>\$ 38,687</u>
December 31, 2019	
Cost	\$ 44,007
Accumulated depreciation and impairment	(5,320)
	<u>\$ 38,687</u>

As of December 31, 2018: None.

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>2019</u>
Rental income from investment property	<u>\$ 2,229</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 758</u>

B. The fair value of the investment property held by the Group as at December 31, 2019 was \$4,097, respectively. Valuations were made using the income approach which is categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	<u>December 31, 2019</u>
Discount rate	6.34%
Rental income Yearly (net)	2,245
Years	2

C. There was no amount of borrowing costs capitalized as part of investment property for the years ended December 31, 2019.

D. There was no investment property that was pledged to others as collaterals for the years ended December 31, 2019.

(12) Short-term borrowings

	<u>December 31, 2019</u>
Discount rate	6.34%
Rental income Yearly (net)	2,245
Years	2

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	<u>\$ 591,000</u>	1.138%~1.35%	NA

Interest expense recognized in profit or loss amounted to \$11,291 and \$4,274 for the years ended December 31, 2019 and 2018, respectively.

(13) Other Payables

	December 31, 2019	December 31, 2018
Salary and Wages Payable	\$ 34,380	\$ 39,112
Employee Bonus Payable and	79,422	31,091
Commensation Due to Directors		
Balance Payable-Machinery and	103,845	75,777
Equipment		
Machine Maintenance Payable	28,355	33,765
Others	166,510	107,930
	<u>\$ 412,512</u>	<u>\$ 287,675</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowing				
Bank borrowings secured	2015.03.11~2021.09.27 payable at maturity date	1.797%~2.74%	Guaranteed buildings, machine equipment, other equipment and reserves accounts	\$ 421,616
Credit borrowings	2019.12.20~2021.08.12 payable at maturity date	1.658%	NA	30,000
				451,616
Less: Current portion of long-term borrowings				(12,532)
				<u>\$ 439,084</u>

As of December 31, 2018: None.

For the long-term loan contract of the Group from November 11, 2012 to January 11, 2032, the Group had settled the loan in advance in July 2018 due to financial planning considerations.

Note: According to the loan contract requirements of banks, the Group should maintain a specific net debt ratio and interest solvency every six months during the duration of the loan.

(15) Finance lease liabilities

Effective 2018

The Group leases in transportation and machine equipment under finance lease. Future minimum lease payments and their present values as at December 31, 2018 was as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than	\$ 8,987	(\$ 749)	\$ 8,238
<u>Non-current</u>			
Later than one	10,132	(251)	9,881
year but not later			
than five years			
Over five years	-	-	-
小計	10,132	(251)	9,881
合計	\$ 19,119	(\$ 1,000)	\$ 18,119

(16) Pensions

A.(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	(\$ 26,873)	(\$ 41,564)
Fair value of plan assets	6,562	29,020
Net defined benefit liability	(\$ 20,311)	(\$ 12,544)

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended			
Balance at January 1	(\$ 41,564)	\$ 29,020	(\$ 12,544)
Current service cost	(130)	-	(130)
Interest (expense) income	(342)	99	(243)
	(42,036)	29,119	(12,917)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	269	269
Change in financial assumptions	(1,125)	-	(1,125)
Change in demographic assumptions	(225)	-	(225)
Experience adjustments	2,608	-	2,608
	1,258	269	1,527
Pension fund contribution	-	441	441
Paid pension	2,756	(2,756)	-
Merging individuals reduces the number of transfer out	11,149	(20,511)	(9,362)
Balance at December 31	(\$ 26,873)	\$ 6,562	(\$ 20,311)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	(\$ 47,832)	\$ 27,605	(\$ 20,227)
Current service cost	(264)	-	(264)
Interest (expense) income	(555)	347	(208)
	(48,651)	27,952	(20,699)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	774	774
Change in financial assumptions	(942)	-	(942)
Change in demographic assumptions	(120)	-	(120)
Experience adjustments	940	-	940
	(122)	774	652
Pension fund contribution	-	617	617
Paid pension	7,209	(323)	6,886
Balance at December 31	(\$ 41,564)	\$ 29,020	(\$ 12,544)

- (D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the

Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	0.80%	1.00%~1.125%
Future salary increases	2.125%~2.50%	2.00%~2.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation (\$	873)	911	878	847)
December 31, 2018				
Effect on present value of defined benefit obligation (\$	1,334)	1,392	1,353	1,304)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$441.

(G) As of December 31, 2019, the weighted average duration of the retirement plan is 15 years.

B.(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New

Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (B) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$25,433 and \$12,984, respectively.

(17) Share capital

- A. As of December 31, 2018, the Company’s authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options issued by the Company), and the paid-in capital was \$2,527,136 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

	Unit: share in thousands	
	2019	2018
January 1	195,632	195,632
To be reissued to employees	2,768	-
December 31	198,400	195,632

B. Treasury shares

- (A) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows:

		December 31, 2019	
		(Expressed in thousands of shares)	
		Number	
Shares held by	Reason for reacquisition	of shares	Book value
Subsidiary- Youe Chung Capital Corporation	Subsidiary holds shares of the company employees	37,081	\$ 527,678
		17,232	307,654
	Total	54,313	\$ 835,332

		December 31, 2018	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	of shares	Book value
Subsidiary- Youe Chung Capital Corporation	Subsidiary holds shares of the company	37,081	\$ 527,678
Corporation	employees	20,000	357,063
Total		57,081	\$ 884,741

- (B) The book value of the company's treasury shares is NT\$17.85 per share. As of December 31, 2019, the company has transferred 20,000 shares of the treasury shares bought back to the employees and immediately acquired them on the date of the grant. But the transfer process still on going.
- (C) The Company's remuneration costs incurred for the transfer of treasury shares from January 1 to December 31, 2019 were \$109,628.
- (D) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (E) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (F) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (G) Subsidiary-Youe Chung Company holds TMC stocks as treasury shares processing. AS of December 31, 2019 and 2018, Youe Chung Company held 37,081 and 37,081 thousand shares, with an average book value of \$14.23 per share. The fair values per share were \$34.45 and \$18.35. The transfer of treasury stock costs is based on the book value of the shares held by Youe Chung Company in each period, based on the indirect shareholding ratio of the Company.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks

or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Detail of capital surplus as below:

	Treasury	Recognition of changes in ownership interest in subsidiaries	Employee stock options	Changes in equity of affiliated companies	Other	Total
	shares					
January 1, 2019	\$ 145,471	\$ 16,904	\$ 7,056	\$ -	\$ -	\$ 169,431
Issued to subsidiaries dividends adjustment capital reserve	30,926	-	-	-	-	30,926
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(5,333)	-	-	-	(5,333)
Equity method Recognition Affiliates Number of changes	-	15,684	(7,056)	9,181	-	17,809
Share-based payment transaction	11,476	-	98,152	-	-	109,628
Shareholders failed to receive dividends	-	-	-	-	316	316
December 31, 2019	<u>\$ 187,873</u>	<u>\$ 27,255</u>	<u>\$ 98,152</u>	<u>\$ 9,181</u>	<u>\$ 316</u>	<u>\$ 322,777</u>

	Treasury	Recognition of changes in ownership interest in	Employee stock options	Changes in equity of affiliated companies	Total
	shares	subsidiaries			
Juanuary 1, 2018	\$ 145,471	\$ 62,959	\$ 4,518	\$ -	\$ 212,948
Adjustment of the shareholding ratio of the invested company	- (	7,484)	2,538	- (	4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	- (	38,571)	-	- (	38,571)
December 31, 2018	<u>\$ 145,471</u>	<u>\$ 16,904</u>	<u>\$ 7,056</u>	<u>\$ -</u>	<u>\$ 169,431</u>

(19) Retained earnings (deficit to be compensated)

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:
 - (A) Define an optimized capital budget.
 - (B) Define the fund needs to fulfill one capital budget.
 - (C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)
 - (E) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.
- C. Except for covering accumulated deficit, increasing capital or

payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. As resolved by the board of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting.

F. On June 11, 2019, the Board of Directors proposed to stockholders meeting that total dividends for the distribution of earnings for the year of 2018 were \$194,083 at \$0.834 (in dollars) per share.

(20) Other equity items

	2019		
	Unrealized	Foreign currency	Total
	evaluation of profit and loss	translation	
January 1	\$ -	\$ 7,853	\$ 7,853
Evaluation adjustment			
-Group	(2,666)	-	(2,666)
Foreign currency conversion difference:			
-Group	-	(7,059)	(7,059)
December 31	<u><u>(\$ 2,666)</u></u>	<u><u>\$ 794</u></u>	<u><u>(\$ 1,872)</u></u>
	2018		
	Unrealized	Foreign currency	Total
	evaluation of profit and loss	translation	
January 1	\$ 3,756	\$ 7,451	\$ 11,207
Effect on retrospective application	(3,756)	-	(3,756)
Foreign currency conversion difference:			
-Group	-	402	402
December 31	<u><u>\$ -</u></u>	<u><u>\$ 7,853</u></u>	<u><u>\$ 7,853</u></u>

(21) Operating revenue

	2019	2018
Revenue from contracts with customers	\$ 3,468,682	\$ 2,885,982

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Mask and Semiconductor division	Medical division	Total
2019			
Revenue from dept.	\$ 3,579,419	\$ 67,606	\$ 3,647,025
Revenue from internal dept. contracts	(157,049)	(21,294)	(178,343)
Revenue from external customer contracts	\$ 3,422,370	\$ 46,312	\$ 3,468,682
Timing of revenue recognition			
At a point in time	\$ 3,163,174	\$ 46,312	\$ 3,209,486
Revenue recognized gradually over time	259,196	-	259,196
	\$ 3,422,370	\$ 46,312	\$ 3,468,682
	Mask and Semiconductor division	Medical division	Total
2018			
Revenue from dept.	\$ 2,943,827	\$ 161,782	\$ 3,105,609
Revenue from internal dept. contracts	(218,921)	(706)	(219,627)
Revenue from external customer contracts	\$ 2,724,906	\$ 161,076	\$ 2,885,982
Timing of revenue recognition			
At a point in time	\$ 2,724,906	\$ 161,076	\$ 2,885,982
Revenue recognized gradually over time	-	-	-
	\$ 2,724,906	\$ 161,076	\$ 2,885,982

B. Contract liabilities

(A) The Group has recognized the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract asset	\$ 18,121	\$ -	\$ -
Contract liability	\$ 39,856	\$ 58,701	\$ 83,589

(B) Initial contract liabilities recognized income in the current period:

	2019	2018
The revenue recognized from the beginning balance of contract liability	\$ 43,049	\$ 61,775

(22) Other income

	2019	2018
Interest income :		
Bank deposits	\$ 5,662	2,340
Financial assets at amortised cost		
Interest income	364	797
Interest income-Related Parties	3,179	-
Other interest income	65	21
Total interest income	9,270	3,158
Rent income	9,374	271
Dividend income	25,755	16,264
Others	15,235	10,351
	\$ 59,634	\$ 30,044

(23) Other gains and losses

	2019	2018
Gains(Losses) on disposals of property, plant and equipment	\$ 1,916	(\$ 33,489)
Gains(Loss) on disposal of investments	22,121	(649)
Currency exchange gains(loss)	(8,287)	12,654
Gains(Loss) on financial assets at fair value through profit or loss	354,635	(12,430)
Reversal of impairment	-	3,735
Other expenses	(768)	(6,236)
Other Non-operating loss- Investment Property Depreciation	(679)	-
	\$ 368,938	(\$ 36,415)

(24) Finance costs

	2019	2018
Interest expense	\$ 16,792	\$ 4,508
Less: Qualified assets Amount capitalised	(943)	-
Other finance expense	-	1,065
	<u>\$ 15,849</u>	<u>\$ 5,573</u>

(25) Expenses by nature

	2019	2018
Employee benefit expenses	\$ 658,368	\$ 395,903
Depreciation charges on property, plant and equipment	279,470	146,423
Amortisation charges on intangible assets	7,779	3,131

(26) Employee benefit expense

	2019	2018
Wages and salaries	\$ 464,334	\$ 344,067
Employee stock options	109,628	-
Labour and health insurance fees	37,534	23,865
Pension costs	25,806	13,456
Other personnel expenses	21,066	14,515
	<u>\$ 658,368</u>	<u>\$ 395,903</u>

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation were accrued at \$53,404 and \$25,965, respectively; directors' and supervisors' remuneration were accrued at \$10,522 and \$5,108, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration amounting to \$25,965 and \$5,108, respectively, for 2018 as resolved by the Board of Directors were in agreement with the amounts recognized in the 2018 financial statements. The employees' compensation and directors' remuneration will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of

Directors during its meeting is available at the Market Observation Post System website.

(27) Income tax

A. Income tax expense

Components of income tax expense:

	2019	2018
Current tax:		
Current tax on profits for the year	\$ 46,886	\$ 36,083
Tax on undistributed surplus earnings	1	-
Previous income tax low (high) estimate	601	(1,616)
Total current tax	47,488	34,467
Deferred tax:		
Origination and reversal of temporary differences	15,089	24,344
Impact of change in tax rate	-	(985)
Total deferred tax	15,089	23,359
Income tax expense	\$ 62,577	\$ 57,826

B. Reconciliation between income tax expense and accounting profit

	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 228,289	(\$ 23,445)
Effect disallowed by tax regulation	(206,327)	50,359
Taxable loss not recognised as deferred tax assets	19,027	26,560
Effect from investment tax credits	(3,084)	(11,652)
Change in assessment of realisation of deferred tax assets	24,070	18,605
Prior year income tax (over) underestimation	601	(1,616)
Effect from changes in tax regulation	-	(985)
Tax on undistributed surplus earnings	1	-
Income tax expense	\$ 62,577	\$ 57,826

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

2019						
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	\$ 4,587	\$ -	(\$ 841)	\$ -	\$ -	\$ 3,746
Unrealised exchange loss	6	-	1,327	-	-	1,333
Other	645	-	(645)	-	-	-
Total	<u>\$ 5,238</u>	<u>\$ -</u>	<u>(\$ 159)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,079</u>
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	(899)	-	178	-	-	(721)
Investment tax credits	(16,290)	(62)	(15,108)	-	-	(31,460)
Total	<u>(17,189)</u>	<u>(62)</u>	<u>(14,930)</u>	<u>-</u>	<u>-</u>	<u>(32,181)</u>
	<u>(\$ 11,951)</u>	<u>(\$ 62)</u>	<u>(\$ 15,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 27,102)</u>
2018						
	January 1	Business combination	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	\$ 1,879	\$ -	\$ 2,708	\$ -	\$ -	\$ 4,587
Allowance for bad debts	3,010	-	(3,010)	-	-	-
Investment tax credits	4,900	-	(4,900)	-	-	-
Unrealised pensions	4,490	-	(4,490)	-	-	-
Unrealised exchange loss	311	-	(305)	-	-	6
Other	12,427	-	(11,782)	-	-	645
Total	<u>\$ 27,017</u>	<u>\$ -</u>	<u>(\$ 21,779)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,238</u>
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	(145)	-	(754)	-	-	(899)
Other	(15,464)	-	(826)	-	-	(16,290)
Total	<u>(15,609)</u>	<u>-</u>	<u>(1,580)</u>	<u>-</u>	<u>-</u>	<u>(17,189)</u>
	<u>\$ 11,408</u>	<u>\$ -</u>	<u>(\$ 23,359)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 11,951)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Can deduct temporary differences	<u>\$ 339,383</u>	<u>\$ 483,755</u>

- E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) Earnings per share

	2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 431,254	196,474	\$ 2.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 431,254	196,474	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,765	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 431,254	198,239	\$ 2.18
	2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 199,203	195,632	\$ 1.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,411	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 199,203	197,043	\$ 1.01

The weighted average number of shares outstanding in 2019 and 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuan Investment company, which are

regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

(29) Business combinations

A. The Group acquired 29.55% equity of Aptos Technology INC. On June 28, 2019, Aptos Technology INC. held a shareholders' meeting to select the directors. The company's subsidiary, Youe Chung Capital Corporation was elected as the company's board of directors and obtained control over the company. Thus, the Group included Aptos in the consolidated financial statements from that date.

(A) The following table summarizes the consideration paid for Aptos Technology INC. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets at the acquisition date:

	<u>June 28, 2019</u>
Fair value of equity interest in Aptos Technology INC. held before the business combination	\$ 63,427
Non-controlling interests account for the identifiable net assets share of the acquiree	<u>188,826</u>
	<u>252,253</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	86,656
Financial assets at fair value through profit or loss	514
Financial Assets at Amortized Cost	24,638
Contract asset – Cur.	15,503
Accounts Receivables	72,998
Other Receivables	1,235
Tax Assets	144
Inventories	35,257
Other Current Assets	6,899
Financial assets measured at fair value through other comprehensive income – Non Cur.	199
Financial Assets at Amortized Cost – Non Cur.	4,517
Properties, Plants and Equipment	236,516
Right-of-use asset	60,772
Intangible Assets	7,832
Prepayments	1,233
Refundable deposits	4,860
Bank loan	(131,288)
Contract Liabilities	(7,138)
Notes Payables	(66)
Accounts Payables	(56,475)
Other Payables	(33,037)
Other Payables – Related Parties	(333)
Lease liability -Current	(20,506)
Other Current Liabilities	(2,209)
Long-Term Liabilities-Current Portion	(10,563)
Long-term Loans	(4,670)
Deferred Income Tax	(62)
Lease liability -Non Current	(40,273)
Guarantee deposits received	(900)
Identifiable net assets	<u>\$ 252,253</u>

- (B) The fair value of the acquired identifiable properties, plants and equipment and intangible assets are \$236,516 and \$7,832 provisional pending receipt of the final valuations for those

assets.

- (C) The operating revenue included in the consolidated statement of comprehensive income since June 28, 2019 contributed by Aptos Technology INC. was \$259,196 and profit before income tax of (\$98,877). Had Aptos Technology INC. been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of \$3,739,553 and profit before income tax of \$318,471.
- B. In August, 2018, the Group acquired 65.35% equity of Wei Da Hi-Tech Co., Ltd. in cash of \$ 191,710 and obtained control of the company. The main business items of the company are research, design and development of display panel control chips and their modules, manufacturing and sales. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition.
- (A) The following table summarizes the consideration paid for Wei Da Hi-Tech Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Merger date</u>
Purchase consideration	
Purchase consideration-Cash	\$ 191,710
Non-controlling interests account for the identifiable net assets share of the acquiree	<u>77,107</u>
	<u>268,817</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	107,824
Accounts Receivables	32,147
Other Receivables	1,704
Inventories	50,274
Other Current Assets	5,620
Properties, Plants and Equipment	4,357
Intangible Assets	52,255
Other Non-Current Assets	938
Accounts Payables	(19,705)
Other Payables	(10,995)
Other Current Liabilities	(1,788)
Other Non-Current Liabilities	(100)
Identifiable net assets	<u>222,531</u>
Goodwill	<u>\$ 46,286</u>

- (B) Fair value of acquired identifiable intangible assets was \$52,255.
- (C) The operating revenue included in the consolidated statement of

comprehensive income since August, 2018 contributed by Weida Hi-Tech Company was \$43,582 and loss before income tax of (\$24,536). Had Weida Hi-Tech Company been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$3,047,757 and profit before income tax of \$187,218.

(30) Operating leases

Effective 2018

The Group leases in land and building assets under non-cancellable operating lease agreements. The lease terms to 2034. The Group recognized rental expenses of \$33,823 in profit or loss for the year ended December 31, 2018, respectively.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 15,891
Later than one year but not later than five years	54,954
Later than five years	<u>60,084</u>
	<u>\$ 130,929</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 678,764	\$ 184,798
Add: Opening balance of payable on equipment	75,777	11,606
Ending balance of advanced on equipment	186,606	133,635
Less: Opening balance of advanced on equipment	(133,635)	(48,644)
Ending balance of payable on equipment	<u>(103,845)</u>	<u>(75,777)</u>
Cash paid during the year	<u>\$ 703,667</u>	<u>\$ 205,618</u>

B. Innova Vision INC. issued new shares to increase cash on May 3, 2019. The Group did not apply for the shareholding ratio, resulting in 17.81% of its comprehensive shareholding and loss of control over the subsidiary (please refer to Note 4(3) B. (Note 2)). The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

		May 3, 2019
Innova Vision INC. Assets and Liabilities Book Value		
Cash	\$	25,037
Notes Receivables		36
Accounts Receivables		29,328
Other Receivables		20
Inventories		159,656
Prepayments		2,774
Other Current Assets		1,125
Properties, Plants and Equipment		25,314
Right-of-use asset		19,525
Intangible Assets		558
Other Non-Current Assets		22,194
Contract Liabilities	(	7,443)
Notes Payables	(	53)
Accounts Payables	(	17,598)
Other Payables	(	41,068)
Other Payables—Related Parties	(	168,177)
Lease liability -Current	(	6,139)
Other Current Liabilities	(	40,781)
Lease liability -Non Current	(	2,691)
Guarantee deposits received	(	67)
Total Net Assets	\$	<u>1,550</u>

(32) Changes in liabilities from financing activities

	Short-term	Long-term	Lease	Guarantee	Total
	borrowings	borrowings	obligations	Deposits	liabilities from
				Received	financing
					activities
January 1, 2019	\$ 591,000	\$ -	\$ 348,133	\$ 3,223	\$ 942,356
Changes in cash					
flow from financing	82,650	436,383	(37,157)	(2,512)	479,364
Acquired a					
subsidiary Control					
change	131,288	15,233	60,779	900	208,200
Loss of subsidiary					
Control change	-	-	(8,830)	(67)	(8,897)
Interest Expenses	-	-	4,118	-	4,118
Interest Paid	-	-	(4,118)	-	(4,118)
Other non-cash					
changes	-	-	68,466	-	68,466
December 31, 2019	<u>\$ 804,938</u>	<u>\$ 451,616</u>	<u>\$ 431,391</u>	<u>\$ 1,544</u>	<u>\$ 1,689,489</u>

	Short-term borrowings	Long-term borrowings	Deposits received	Total liabilities from financing activities
January 1, 2018	\$ 81,253	\$ 26,303	\$ 94	\$ 107,650
Changes in cash flow from financing	509,747	(26,303)	3,029	486,473
Changes in acquisition of subsidiaries	-	-	100	100
December 31, 2018	<u>\$ 591,000</u>	<u>\$ -</u>	<u>\$ 3,223</u>	<u>\$ 594,223</u>

7、RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Weida Hi-Tech	The general manager of the company is the chairman of the company (note1)
WishRich Technology Co., Ltd.	The director of the subsidiary of the company is the chairman of the company (note2)
Innova Vision INC.	The company is a director of the company(note3)
Advanced Silicon SA	The chairman of the subsidiary of the company is the director of the company
Maxchip Electronics Corporation	The director of the company is the vice chairman of the company
Other Related Parties	General manager of the company

Note1: Merged into the Group in September, 2018.

Note2: The chairman of the company resigned as a director of the company's subsidiary in December 2018.

Note3: The Group loss of control over Innova Vision INC. and significant influence in May 2019, but still keep a member of direct.

(2) Significant related party transactions

A. Operating revenue:

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Other Related Parties	<u>\$ 44,002</u>	<u>\$ 39,800</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Other Related Parties	\$ -	\$ 63,928

Goods and services are purchased from associates on normal commercial terms and conditions.

C. Receivables from related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables:		
Associates	\$ 1,568	\$ 4,178
Other receivables:		
Innova Vision INC.	25,568	-
Other Related Parties	-	4,636
Total	\$ 27,136	\$ 8,814

D. Payables to related parties:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Other Related Parties	\$ -	\$ -
Other accounts payable:		
Other Related Parties	1,432	1,003
Total	\$ 1,432	\$ 1,003

E. Property transactions

(A) Acquisition of office equipment

	<u>2019</u>	<u>2018</u>
Other Related Parties	\$ -	\$ 1,790

(B) Acquisition of financial assets

			<u>2018</u>
	<u>Item</u>	<u>No. of shares</u>	<u>Objects</u>
Other Related Parties	Investment under Equity Method	141,103	Weida Hi-Tech CO., LTD.
			\$ 1,646

F. Loans to /from related parties: (「Other Receivables - Related Parties」)

Loans to related parties

(A) Outstanding balance

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Innova Vision INC.	\$ 180,000	\$ -

(B) Interest income

	2019	2018
Innova Vision INC.	\$ 3,179	\$ -

The loans to associates are reimbursement within 1 year and carry interest at 2.616% per annum for the year ended December 31, 2019, respectively.

(三) Key management compensation

	2019	2018
Salaries and short-term employee benefits	\$ 21,941	\$ 20,715
Post-employment benefits	-	20,886
Share-based payment transaction	240	-
Total	\$ 22,181	\$ 41,601

8、PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Asset item	Book value		Purpose
	December 31, 2019	December 31, 2018	
Cash in Banks(Financial assets at amortised cost-Non current)	\$ 3,004	\$ -	Long (Short)-term loan and reserves accounts
Time deposits(Financial assets at amortised cost-Non current)	54,254	29,727	Short-term loans, outbound goods guarantees and lease guarantees
Land and buildings	198,314	-	Long-term loan
Machinery and equipment	591,999	-	Long (Short)-term loan
Other equipment	4,491	-	Long (Short)-term loan
	\$ 852,062	\$ 29,727	

9、SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitment

A. Signed but not yet paid equipment maintenance contracts

	December 31, 2019	December 31, 2018
Machine maintenance	\$ 28,355	\$ 33,765

B. Capital expenditures have been contracted but have not yet occurred

	December 31, 2019	December 31, 2018
Properties, Plants and Equipment	\$ 44,063	\$ 138,555

C. Operation lease contracts

Please refer to Note 6(9), (10) and (30).

10、 SIGNIFICANT DISASTER LOSS

None.

11、 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

As resolved by the board of meeting on March 17, 2020, the deficit in 2019 shall be compensated by legal reserve for \$252,714, and still waiting for resolved by stockholders meeting. Please refer Note 6(19).

12、 OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total borrowings	\$ 1,256,554	\$ 591,000
Less: Cash and cash equivalents	(946,517)	(563,408)
Net debt	310,037	27,592
Total equity	3,121,458	2,573,811
Total capital	\$ 3,431,495	\$ 2,601,403
Gearing ratio	9.04%	1.06%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>993,284</u>	\$ <u>731,826</u>
Financial Assets at Amortized Cost		
Cash and cash equivalents	\$ 946,517	\$ 563,408
Financial assets at amortised cost	74,490	84,062
Notes receivable	-	1,277
Accounts receivable	731,104	601,330
Other receivables	222,600	18,243
Guarantee deposits paid	8,727	12,867
	\$ <u>1,983,438</u>	\$ <u>1,281,187</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 804,938	\$ 591,000
Notes payable	65	54
Accounts payable	369,827	236,387
Other accounts payable	413,944	288,678
Lease obligations	431,391	-
Lease account payable	-	18,119
Long-term borrowings (including current portion)	451,616	-
Guarantee deposits received	1,544	3,223
	\$ <u>2,473,325</u>	\$ <u>1,137,461</u>

B. Financial risk management policies

- (A) The daily operations of the Group are subject to a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Group's financial position and financial performance.
- (B) Risk management is carried out by financial department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risks

i. Foreign exchange risk

The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, JPY and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019			
(Foreign currency: functional currency)	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
Financial assets				
<u>Monetary items</u>				
USD:NTD	USD	27,566	29.980	\$ 826,420
RMB:NTD	CNY	57,908	4.305	249,292
JPY:NTD	JPY	48,841	0.2760	13,480
Financial liabilities				
<u>Monetary items</u>				
USD:NTD	USD	7,311	29.980	219,191
JPY:NTD	JPY	234,022	0.2760	64,590
	December 31, 2018			
(Foreign currency: functional currency)	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)
Financial assets				
<u>Monetary items</u>				
JPY:NTD	USD	6,179	30.715	\$ 189,786
RMB:NTD	CNY	45,477	4.472	203,372
Financial liabilities				
<u>Monetary items</u>				
JPY:NTD	USD	2,576	30.715	79,124
JPY:NTD	JPY	113,393	0.2782	31,546

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to (\$8,287) and \$12,654.

iii. Analysis of foreign currency risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	2019		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 8,264	\$ -
RMB:NTD	1%	2,493	-
JPY:NTD	1%	135	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(2,192)	-
JPY:NTD	1%	(646)	-
(Foreign currency: functional currency)	2018		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,898	\$ -
RMB:NTD	1%	2,034	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(791)	-
JPY:NTD	1%	(315)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets

at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the year ended December 31, 2019 and 2018 by \$9,933 and \$7,318, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$0 and \$0, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Group's main interest rate risk arises from long (short)-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the year ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the long (short)-term borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the year ended December 31, 2019 and 2018 would have decreased / increased by \$12,565 and \$5,910, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(B) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. When the individual contract payment is not paid according to

the expected transaction terms, the default has occurred.

- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
<u>December 31, 2019</u>						
Expected loss rate	0.01~1%	0.01~3.22%	0.01~19.02%	0.01~30.16%	1.24~100%	
Total book value	\$ 636,020	\$ 64,111	\$ 32,938	\$ 5,562	\$ 232	738,863
Loss allowance	\$ -	\$ -	(\$ 2,604)	(\$ 5,155)	\$ -	(7,759)

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	Over 180 days	Total
<u>December 31, 2018</u>						
Expected loss rate	0.01~1%	0.01~3.89%	0.01~22.98%	0.01~27.27%	7.92~100%	
Total book value	\$ 483,098	\$ 76,987	\$ 32,436	\$ 2,288	\$ 9,301	604,110
Loss allowance	\$ -	\$ -	(\$ 590)	(\$ 174)	\$ 2,016	(2,780)

- ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2019
	<u>Accounts receivable</u>
January 1	\$ 2,780
Provision for impairment	7,006
Foreign currency conversion difference	(130)
Loss of changes in control of subsidiaries	(1,897)
December 31	<u>\$ 7,759</u>
	2018
	<u>Accounts receivable</u>
January 1	\$ 21,655
Reversal of impairment loss	(2,753)
Reclassified to other income in this period	(12,628)
Amount that was written off due to uncollectible	(2,072)
Reclassified	(1,422)
December 31	<u>\$ 2,780</u>

(C) Liquidity risks

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group financial department. The Group financial department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The surplus cash generated by each operating entities of the Group will be gathered back to the Group financial department. The Group financial department then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Group held financial assets at monetary market of \$986,482 and \$614,561, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate		
Less than 1 year	\$ 833,776	\$ -
Over 1 year	798,573	-
Fixed rate:		
Less than 1 year	-	249,000
Over 1 year	-	-
	<u>\$ 1,632,349</u>	<u>\$ 249,000</u>

- iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2019				
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 804,938	\$ -	\$ -	\$ -
Notes payable	65	-	-	-
Accounts payable	369,827	-	-	-
Other payables	413,944	-	-	-
Lease liability	39,764	32,334	93,926	313,965
Long-term borrowings	20,577	228,611	219,291	-
Guarantee Deposits Received	-	1,544	-	-
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>

December 31, 2018

<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 591,000	\$ -	\$ -	\$ -
Notes payable	54	-	-	-
Accounts payable	236,387	-	-	-
Other payables	288,678	-	-	-
Lease liability	8,987	10,132	-	-
Guarantee Deposits Received	-	3,223	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Group.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 899,981	\$ -	\$ 92,803	\$ 992,784
Beneficiary certificate	500	-	-	500
Total	<u>\$ 900,481</u>	<u>\$ -</u>	<u>\$ 92,803</u>	<u>\$ 993,284</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	<u>\$ 598,163</u>	<u>\$ -</u>	<u>\$ 133,663</u>	<u>\$ 731,826</u>

D. The methods and assumptions the Group used to measure fair value

are as follows:

- (A) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed and OTC stocks</u>	<u>Open-end fund</u>
<u>Market quoted price</u>	<u>Closing price</u>	<u>Net asset value</u>

- (B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.
- (C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- (D) The Group adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Group.
- E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Equity securities
January 1, 2019	\$ 133,663
Acquired in the period	65,000
Recognized in profit (loss)	21,094
Sold in the period	(127,398)
Transfers into level 3	12,464
Transfers out from level 3	(9,928)
The investment capital is refunded in this period	(2,092)
December 31, 2019	<u>\$ 92,803</u>

	Equity securities
January 1, 2018	\$ 143,502
Acquired in the period	28,075
The investment capital is refunded in this period	(16,026)
Reversal of impairment	3,735
Recognized in profit (loss)	(25,623)
December 31, 2018	<u>\$ 133,663</u>

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

<u>December 31, 2019</u>					
	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Unlisted shares	\$ 27,803	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Unlisted shares	65,000	Discounted cash flow	Long-term revenue growth rate	2.5%	the higher the long-term revenue growth rate, the higher the fair value;

<u>December 31, 2018</u>					
	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument:					
Unlisted shares	\$ 48,915	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Venture capital shares	84,748	Net asset value	Net asset value		- The higher the net asset value, the higher the fair value
Private equity fund					

H. The Group has carefully assessed the valuation models and

assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Net asset value	± 1%	\$ 278	(\$ 278)	\$ -	\$ -	-
Equity instrument	Long-term revenue growth rate	± 1%	468	(481)	-	-	-
Total			\$ 746	(\$ 759)	\$ -	\$ -	-

		December 31, 2018					
				Recognised in profit or loss		Recognised in other	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Net asset value	± 1%	\$ 1,337	(\$ 1,337)	\$ -	\$ -	-

13、 SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

E. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Total purchases from or sales to related parties of at least \$100 million

or 20% of the paid-in capital: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

Please refer to table 7.

SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The basis of the Group's corporate composition, divisional basis and departmental information has not changed significantly during the period

(2) Measurement of segment information

The Group allocates resources based on the adjusted net profit of each department to assess the performance of the operation department.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended December 31, 2019 :

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	\$ 3,422,370	\$ 46,312	\$ 3,468,682
Inter-segment revenue	\$ 157,049	\$ 21,294	\$ 178,343
Total segment revenue	\$ 413,568	(\$ 39,051)	\$ 374,517
Segment income (loss) including:			
Depreciation	(\$ 273,431)	(\$ 6,039)	(\$ 279,470)
Amortisation	(\$ 7,741)	(\$ 38)	(\$ 7,779)
Financial cost	(\$ 15,607)	(\$ 242)	(\$ 15,849)
Interest income	\$ 9,269	\$ 1	\$ 9,270
Recognised investment profit or loss which is adopting equity method	(\$ 45,535)	\$ -	(\$ 45,535)
Segment assets	\$ 5,726,370	\$ -	\$ 5,726,370

For the year ended December 31, 2018 :

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	\$ 2,724,906	\$ 161,076	\$ 2,885,982
Inter-segment revenue	\$ 218,921	\$ 706	\$ 219,627
Total segment revenue	\$ 328,134	(\$ 124,488)	\$ 203,646
Segment income (loss) including:			
Depreciation	(\$ 120,921)	(\$ 25,502)	(\$ 146,423)
Amortisation	(\$ 2,990)	(\$ 141)	(\$ 3,131)
Financial cost	(\$ 4,861)	(\$ 712)	(\$ 5,573)
Interest income	\$ 2,963	\$ 195	\$ 3,158
Recognised investment profit or loss which is adopting equity method	(\$ 43,946)	\$ -	(\$ 43,946)
Segment assets	\$ 3,559,561	\$ 304,757	\$ 3,864,318

The impact of the Group's initial application of IFRS 16 "Leases" on the department information of the year ended of December 31, 2019 is as follows:

	Mask and Semiconductor division	Medical division	Total
Increase in depreciation expenses	\$ 37,855	\$ 2,693	\$ 40,548
Increase in segment assets	\$ 427,729	\$ -	\$ 427,729
Increase in segment liabilities	\$ 431,391	\$ -	\$ 431,391

(4) Reconciliation for segment income (loss)

Inter-department sales are conducted on a fair-trade basis. External income reported to the chief operating decision is measured in a consistent manner with income in the income statement.

The consolidated profit and loss, assets and liabilities of the relevant departments are consistent with the consolidated profit and loss, consolidated assets and consolidated liabilities, so there is no adjustment information.

(5) Information on products and services

External customer income mainly comes from reticle and semiconductor sales revenue and medical equipment revenue, and related product performance is the same as Note 14 (III)

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,961,238	\$ 1,974,505	\$ 1,662,696	\$ 966,369
Asia	1,223,337	143	1,053,309	194
America	9,033	-	143,579	-
Others	275,074	-	26,398	-
Total	\$ 3,468,682	\$ 1,974,648	\$ 2,885,982	\$ 966,563

(7) Major customer information

For the years ended December 31, 2019 and 2018 there was no single external customer's income accounting for 10% of the total combined income.

TAIWAN MASK CORPORATION AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Table 1

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transaction Amounts	Reason for Financing	Loss Ending Balance allowanc	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	Accounts Receivables — Related Parties	Y	\$ 200,000	\$ 200,000	\$ 66,190	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	\$ 1,196,089	\$ 1,196,089	1
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Accounts Receivables — Related Parties	Y	300,000	300,000	288,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
0	TAIWAN MASK CORPORATION	Innova Vision INC.	Accounts Receivables — Related Parties	Y	200,000	200,000	180,000	2.616%	The need for short-term financing	-	Capital turnover	-	-	-	1,196,089	1,196,089	1
1	Adl Engineering INC.	Aptos Technology INC.	Accounts Receivables — Related Parties	Y	30,000	30,000	30,000	3%	The need for short-term financing	-	Capital turnover	-	Aptos's Machinery and Other equipment	21,286	30,726	30,726	2

Table 1

TAIWAN MASK CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS/GUARANTEES PROVIDED
 FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Table 2

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement / Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	Adl Engineering INC.	Aptos Technology INC.	3	\$ 23,044	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	26.04%	\$ 30,726	N	Y	N	

TAIWAN MASK CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 3

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares	Carrying Value	%	Fair Value	Note
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	806,400	\$ -	1.89%	\$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,533,840	15,338	10.53%	15,338	
TAIWAN MASK CORPORATION	Innova Vision INC.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	605,157	6,052	8.65%	6,052	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	10,000,000	347,500	5.86%	347,500	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is director	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,361,609	381,542	8.21%	381,542	
Youe Chung Capital Corporation	P-TWO INDUSTRIES INC.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,280,500	38,159	2.43%	38,159	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Parent Company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	37,081,440	1,227,456	14.67%	1,227,456	
Youe Chung Capital Corporation	Innova Vision INC.-Common Stock	The parent company of the company is a director of the company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	641,281	6,413	9.16%	6,413	
Youe Chung Capital Corporation	Image Match Design Inc.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,300,000	65,000	3.91%	65,000	
Youe Chung Capital Corporation	Unicon Optical Co., Ltd.-Common Stock	The parent company of the company is a director of the company	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	3,821,000	132,780	2.24%	132,780	
Jingjing Investment Co., Ltd.	G-TECH ELECTRONICS LTD.-Common Stock	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	1,097,092	-	8.08%	-	
Jingjing Investment Co., Ltd.	MEMCHIP TECHNOLOGY CO., LTD.	-	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	187,915	-	3.13%	-	
Aptos Technology Co.,Limited	TOKAI OPTRONICS CO., LTD.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	350,000	-	0.85%	-	
Aptos Technology Co.,Limited	Athentek Holding Inc.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	1,077,107	-	8.14%	-	
Aptos Technology Co.,Limited	TOPFUN TECHNOLOGY INC.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	100,000	-	9.52%	-	
Adl Engineering INC.	TOKAI OPTRONICS CO., LTD.-Common Stock	-	Financial assets measured at fair value through other comprehensive income – Non Cur.	226,759	-	1.71%	-	
Adl Engineering INC.	Franklin Templeton SAm Asia Pac Bal Acc-Beneficiary Certificate	-	Financial Asset at Fair Value Through Profit or Loss-Cur.	50,000	500	-	529	

Table 3

TAIWAN MASK CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 4

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Company Name	Related Party	Nature or Relationship	Ending Balance	Turnover	Overdue		Amounts received in Subsequent	Loss allowance
					Amount	Action Taken		
TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	Subsidiary	\$ 254,000	-	\$ -	-	\$ 227,000	\$ -
TAIWAN MASK CORPORATION	Innova Vision INC.	Related Parties	205,568	-	22,389	Execution according to repayment plan	32,389	-

TAIWAN MASK CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 5

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statements Account	Amount	Terms	
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	\$ 254,000	Pay by agreed time	4.44%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	6,425	Pay by agreed time	0.19%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	66,190	Pay by agreed time	1.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	5,402	Month-end 60 days	0.16%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Interest income	1,728	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Rental income	1,584	Pay by agreed time	0.05%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	10,404	Month-end 60 days	0.30%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co., Ltd.	1	Sales	28,638	Month-end 60 days	0.83%
0	TAIWAN MASK CORPORATION	Miracle International Enterprise(ShanHai) Co., Ltd.	1	Trade receivables	8,129	Month-end 60 days	0.14%
0	TAIWAN MASK CORPORATION	Weida Hi-Tech CO., LTD.	1	Rental income	3,300	Pay by agreed time	0.10%
0	TAIWAN MASK CORPORATION	Aptos Technology INC.	1	Rental income	1,901	Pay by agreed time	0.05%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	1,300	Month-end 30 days	0.04%
1	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other current liabilities	58,728	Pay by agreed time	1.03%
2	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Sales	5,890	Month-end 30 days	0.17%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Sales	84,244	Month-end 30 days	2.43%
3	Miracle International Enterprise(ShanHai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	3	Advance payment	17,101	Month-end 30 days	0.30%
4	Touch Hi-Tech	Miko-China Enterprise (Shanghai) Co., Ltd.	3	Sales	12,659	Month-end 30 days	0.36%
5	Aptos Technology INC.	Adl Engineering INC.	3	short-term borrowing	30,000	The same with general	0.52%
6	Adl Engineering INC.	Aptos Technology INC.	3	Endorsements/Guarantee	20,000	The same with general	0.35%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

a. TAIWAN MASK CORPORATION is coded 0.

b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item,

Note 4: Only transactions with a total amount of NTS1 million or more will be disclosed, and the transaction will not be disclosed separately.

Table 5

TAIWAN MASK CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 6

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	103,045	203,026	3,120,000	100%	\$ 5,699	\$ 20,219	\$ 20,219	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,140,000	1,140,000	142,329,470	100%	479,446	681,425	39,560	
Taiwan Mask Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	165,691	165,691	12,549,652	28.27%	76,724 (	91,615) (	25,969)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	22,955,035	100%	309,025 (	19,478) (	19,749)	
Taiwan Mask Corporation	Weida Hi-Tech CO., LTD.	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	293,371	25,510,500	100%	214,130 (	34,718) (	33,344)	
Youe Chung Capital Corporation	ADVAGENE BIOPHARMA CO., LTD.	Taiwan	Medical, research and development, manufacturing	65,719	65,719	3,550,223	8%	21,704 (	91,516) (	7,346)	
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory and solid state hard disk and other related products	134,928	-	33,732,108	38.16%	58,716 (	150,820) (	70,110)	
Aptos Technology INC.	Adl Engineering INC.	Taiwan	Electronic components	375,809	375,809	6,255,069	52.19%	40,092 (	8,582) (	4,479)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Investing in communication business	-	-	-	100%	-	-	-	Note
Adl Engineering INC.	Aptos Global Holding Corp.	Seychelles	Investing in communication business	29,795	29,795	10,000,000	100%	-	-	-	
Apotos Global Holding Corp.	Aptos Technology Co., Limited	Hong Kong	Investing in communication business	29,648	29,648	78,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	14,316,212	100%	175,305	21,638	21,638	
Miracle Technology CO., LTD.	Miracle(Samoa)Co., Ltd	Samoa	Investing in communication business	10,215	10,215	-	100%	18,687 (	901) (	901)	
MIRACLE(SAMOA)CO.,LTD	Misun Technology Co., Ltd	Mauritius	Investing in communication business	10,215	10,215	-	100%	18,687 (	865) (	865)	
Jingjing Investment Co., Ltd.	Miko Technology Co., Ltd	Hong Kong	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	37	37	10,000	100%	63,677	377	377	
Weida Hi-Tech CO., LTD.	Smart Touch Co.,Ltd	British Virgin	Investing in communication business	14,602	14,602	9,145	100%	2	-	-	
Weida Hi-Tech CO., LTD.	Central Star Ltd	Seychelles	Investing in communication business	4,076	4,076	129,200	22.30%	-	-	-	
Smart Touch Co.,Ltd	Central Star Ltd	British Virgin	Investing in communication business	13,714	13,714	450,000	77.70%	1	-	-	

Note: As of the end of December 31, 2019, investment amount have not been remitted.

Table 6

TAIWAN MASK CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 7

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance of Accumulated Outflow of Investment from Taiwan	Net Income (Loss) of the Investee Company	Percentage of Ownership (%)	Investment Income (Loss) Recognized in Current Period (Note 2)	Carrying Amount as of December 31, 2019	Ending Balance of Accumulated Inward Remittance of Earnings	Note
					Outflow	Inflow							
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	\$ 3,283	2	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 36,661	100%	\$ 36,661	\$ 140,911	\$ -	note2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	10,215	2	10,215	-	-	10,215	(900)	100%	(900)	18,651	-	note2(2)B
Sichuan Miracle Power	IC product design, production and sales	32,529	2	-	-	-	-	(2,799)	100%	(2,799)	21,738	-	note2(2)B
Touch Hi-Tech	Research, design, development, manufacturing and sales of display panel control chips and modules	25,684	2	25,684	-	-	25,684	544	100%	544	2,492	-	note2(2)B

Company Name	Ending Balance of Accumulated Investment in Mainland China	Upper Limit on Investment Amounts Authorized by Investment Commission, MOEA	
		Investment Authorized by Investment Commission, MOEA	Investment Authorized by Investment Commission, MOEA
Miko-China Enterprise (Shanghai) Co., Ltd.	\$ 3,283	\$ 3,283	\$ 163,749
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	163,749
Sichuan Miracle Power Technology Co., Ltd.	-	-	163,749
Touch Hi-Tech	25,684	25,684	80,950

Note 1 : The methods for engaging in investment in Mainland China include the following:

- Direct investment in Mainland China.
- Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- Other methods.

Note 2 : The investment income (loss) recognized in current period: Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

- The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.
- Others.

Note 3: The relevant figures in this table should be listed in NTD.