OPTO TECH CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of OPTO TECH CORPORATION

Opinion

We have audited the accompanying parent company only balance sheets of Opto Tech Corporation (the "Company") as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company 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. 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 judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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 parent Company's parent company only financial statements of the current period are stated as follows:

Key audit matter- Allowance for inventory valuation losses

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty on inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses were NT$ 1,443,783 thousand and NT$ 231,126 thousand, respectively.

As the value of the Company's inventories are affected by market prices and product life cycles, there is a higher risk of obsolescence. For inventories aged over a certain period of time and individually identified as obsolete, the net realisable value is estimated based on historical data of inventory closeout. The net realisable value utilised in evaluating obsolete inventories involves uncertainty of estimation as it is subject to management's judgement. Since inventories and allowance for inventory valuation losses were material to the parent company only financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed the reasonableness of policies and procedures in the provision of allowance for inventory valuation losses based on our understanding of the Company's operations and its industry, such as assessing the data source of historical inventory closeout and the reasonableness in the identification of obsolete inventories; validated the appropriateness of system logic of inventory aging report in order to confirm the compliance with respective policies; and assessed the reasonableness of the Company's determination of the provision of allowance for inventory valuation losses through obtaining assessment documents and supporting evidences in relation to individually identified obsolete or damaged inventories from management.

Key audit matter- Estimation of fair values of unlisted securities without active market

Description

Please refer to Note 4(6)(7) for accounting policies on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income or loss, Note 5(2) for accounting estimates and assumption uncertainty on estimation of financial assets-fair value measurement of unlisted stocks without active market, and Note 6(2) (3),12(3) for details of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income or loss. As of December 31, 2019, the carrying amount of unlisted securities without active market was NT$951,466 thousand.

For unlisted securities without active market held by the Company, management assesses their fair values through asset-based approach and takes into account the discount for liquidity. Since the valuation method is subject to management's judgement and involves uncertainty, which would affect fair value, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed the reasonableness of valuation method and parameters referred to in the appraisal report by the independent appraiser who was engaged by the management, including the net asset values measured at fair value, comparability and market liquidity of comparable companies; assessed the reasonableness of price multipliers and discounts for liquidity in the market.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yu-Kuan	Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan
March 19, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

OPTO TECH CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 2,813,868	28	$ 2,415,981	24
Financial assets at fair value through profit or loss - current	6(2)	169,315	2	220,381	2
Notes receivable, net	6(4)	13,051	-	11,542	-
Accounts receivable, net	6(4)	1,383,056	14	1,549,809	16
Accounts receivable - related parties-net	6(4) and 7	34,643	-	81,769	1
Other receivables		18,712	-	50,910	1
Inventories, net	6(5)	1,212,657	12	1,307,963	13
Prepayments		43,176	-	23,494	-
Other current assets	8	26,046	-	24,051	-
Total current Assets		5,714,524	56	5,685,900	57
Non-current assets					
Financial assets at fair value through profit or loss - non-current	6(2)	106,853	1	106,899	1
Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	925,373	9	871,546	9
Investments accounted for using equity method	6(6)	260,308	3	254,105	3
Property, plant and equipment- net	6(7) and 8	2,759,452	27	2,898,912	29
Right-of-use assets	6(8)	247,185	3	-	-
Intangible assets	6(9)	13,958	-	8,569	-
Deferred tax assets	6(25)	83,712	1	94,867	1
Other non-current assets		42,740	-	49,972	-
Total non-current assets		4,439,581	44	4,284,870	43
Total assets		$ 10,154,105	100	$ 9,970,770	100

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OPTO TECH CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
Current liabilities					
Short-term loans	6(10)	$ 156,167	2	$ 585,050	6
Financial liabilities at fair value through profit or loss - current	6(2)	31	-	-	-
Accounts payable		617,756	6	536,883	5
Accounts payable - related parties	7	80,042	1	91,347	1
Other payables	6(11)	531,165	5	580,586	6
Current income tax liabilities		101,729	1	66,426	1
Provisions for liabilities - current	6(14)	7,735	-	11,423	-
Current lease liabilities		18,799	-	-	-
Other current liabilities		33,148	-	44,292	-
Total current liabilities		1,546,572	15	1,916,007	19
Non-current liabilities					
Long-term loans	6(12)	814,504	8	250,000	3
Provisions for liabilities - non-current	6(14)	15,745	-	13,137	-
Deferred tax liabilities	6(25)	81,548	1	68,856	1
Non-current lease liabilities		229,763	2	-	-
Other non-current liabilities	6(13)	201,298	2	195,563	2
Total non-current liabilities		1,342,858	13	527,556	6
Total Liabilities		2,889,430	28	2,443,563	25
Equity					
Capital	6(15)				
Common stock		3,786,228	37	4,454,386	45
Capital reserve	6(16)				
Capital surplus		702,965	7	702,521	7
Retained earnings	6(17)				
Legal reserve		669,312	7	604,001	6
Special reserve		8,392	-	-	-
Unappropriated earnings		1,841,481	18	1,537,426	15
Other equity adjustments	6(18)				
Other equity interest		279,469	3	253,376	2
Treasury stocks	6(15)				
Treasury stocks		(23,172)	-	(24,503)	-
Total equity		7,264,675	72	7,527,207	75
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
Total liabilities and equity		$ 10,154,105	100	$ 9,970,770	100

The accompanying notes are an integral part of these parent company only financial statements.

OPTO TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars,except earnings per share)

Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
Operating revenue	6(19) and 7	$ 5,144,198	100	$ 5,060,329	100
Operating costs	6(5)(23)(24) and 7	(3,583,471)	(70)	(3,533,429)	(70)
Gross profit, net		1,560,727	30	1,526,900	30
Unrealized profit from sales		(108)	-	(357)	-
Realized profit on from sales		357	-	387	-
Net operating margin		1,560,976	30	1,526,930	30
Operating expenses	6(23)(24)				
Selling expenses		(110,982)	(2)	(99,696)	(2)
General and administrative expenses		(376,502)	(7)	(400,628)	(8)
Research and development expenses		(342,641)	(7)	(310,664)	(6)
Expected credit gains (losses) on financial assets	12(2)	2,478	-	(6,372)	-
Total operating expenses		(827,647)	(16)	(817,360)	(16)
Operating income		733,329	14	709,570	14
Non-operating income and expenses					
Other income	6(20)	53,610	1	37,202	1
Other gains and losses	6(21)	(6,853)	-	26,243	-
Finance costs	6(22)	(28,211)	(1)	(18,604)	-
Share of profit of associates and joint ventures accounted for using equity method	6(6)	25,995	1	28,994	1
Total non-operating income and expenses		44,541	1	73,835	2
Profit before income tax		777,870	15	783,405	16
Income tax expense	6(25)	(173,237)	(3)	(130,298)	(3)
Net income		$ 604,633	12	$ 653,107	13

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OPTO TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars,except earnings per share)

Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Losses on remeasurements of defined benefit plans	6(13)	($ 5,175)	-	($ 5,565)	-
Unrealised gains on valuation of financial assets at fair value through other comprehensive income	6(3)(18)	50,226	1	213,141	4
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, items that will not be reclassified to profit or loss	6(6)	(16)	-	77,938	1
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(11,705)	(1)	(21,059)	-
Total other comprehensive income that will not be reclassified to profit or loss, net of tax		33,330	-	264,455	5
Items that will be reclassified to profit or loss					
Currency translation differences of foreign operations	6(18)	(11,051)	-	128	-
Share of other comprehensive loss of associates and joint ventures accounted for using equity method, items that will be reclassified to profit or loss	6(18)	(342)	-	(68)	-
Total other comprehensive (loss) income that will be reclassified to profit or loss		(11,393)	-	60	-
Other comprehensive income for the year, net of income tax		$ 21,937	-	$ 264,515	5
Total comprehensive income for the year		$ 626,570	12	$ 917,622	18
Earnings per share	6(26)				
Profit for the year		$ 1.45		$ 1.47	
Diluted earnings per share	6(26)				
Profit for the year		$ 1.44		$ 1.45	

The accompanying notes are an integral part of these parent company only financial statements.

OPTO TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other equity interest				
	Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
2018											
Balance at January 1, 2018		$4,454,386	$ 701,323	$ 536,773	$ 59,227	$1,269,714	$ 1,961	$ -	$ 221,384	($ 24,503)	$7,220,265
Effects of applying new standards	6(18)	-	-	-	-	(3,210)	-	224,594	(221,384)	-	-
Balance at January 1, 2018 after adjustments		4,454,386	701,323	536,773	59,227	1,266,504	1,961	224,594	-	(24,503)	7,220,265
Net income for the year		-	-	-	-	653,107	-	-	-	-	653,107
Other comprehensive (loss) income for the year	6(13)(18)	-	-	-	-	(784)	60	265,239	-	-	264,515
Total comprehensive income		-	-	-	-	652,323	60	265,239	-	-	917,622
Distribution of 2017 earnings:	6(17)										
Legal reserve		-	-	67,228	-	(67,228)	-	-	-	-	-
Special reserve		-	-	-	(59,227)	59,227	-	-	-	-	-
Cash dividends		-	-	-	-	(601,342)	-	-	-	-	(601,342)
Other adjustment of capital reserve:											
Adjustments to net difference of subsidiary book value	6(6)	-	1,198	-	-	-	-	-	-	-	1,198
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	227,942	-	(238,478)	-	-	(10,536)
Balance at December 31, 2018		$4,454,386	$ 702,521	$ 604,001	$ -	$1,537,426	$ 2,021	$ 251,355	$ -	($ 24,503)	$7,527,207
2019											
Balance at January 1, 2019		$4,454,386	$ 702,521	$ 604,001	$ -	$1,537,426	$ 2,021	$ 251,355	$ -	($ 24,503)	$7,527,207
Net income for the year		-	-	-	-	604,633	-	-	-	-	604,633
Other comprehensive (loss) income for the year	6(13)(18)	-	-	-	-	(4,156)	(11,393)	37,486	-	-	21,937
Total comprehensive (loss) income		-	-	-	-	600,477	(11,393)	37,486	-	-	626,570
Distribution of 2018 earnings:	6(17)										
Legal reserve		-	-	65,311	-	(65,311)	-	-	-	-	-
Special reserve		-	-	-	8,392	(8,392)	-	-	-	-	-
Cash dividends		-	-	-	-	(222,719)	-	-	-	-	(222,719)
Other adjustments of capital reserve:											
Adjustments to net difference of subsidiary book value	6(6)	-	444	-	-	-	-	-	-	-	444
Capital reduction	6(15)	(668,158)	-	-	-	-	-	-	-	1,331	(666,827)
Balance at December 31, 2019		$3,786,228	$ 702,965	$ 669,312	$ 8,392	$1,841,481	($ 9,372)	$ 288,841	$ -	($ 23,172)	$7,264,675

The accompanying notes are an integral part of these parent company only financial statements.

OPTO TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 777,870	$ 783,405
Adjustments			
Adjustments to reconcile profit (loss)			
Realised sales profit		(357)	(387)
Unrealised slaes profit		108	357
Expected credit (reverse of gains) losses on financial assets	12(2)	(2,478)	6,372
Depreciation	6(7)(8)(23)	453,289	410,997
Amortization	6(9)(23)	11,760	11,565
Dividend income	6(20)	(20,051)	(15,027)
Interest income	6(20)	(14,857)	(12,999)
Net loss (profit) on financial assets and liabilities at fair value through profit or loss	6(2)(21)	1,144	(16,176)
Loss on disposal of property, plant and equipment	6(21)	-	485
Gain on disposal of investments	6(21)	(2,003)	(1,182)
Interest expense	6(22)	27,161	18,604
Share of profit of subsidiary, associates accounted for using equity method	6(6)	(25,995)	(28,994)
Changes in operating assets and liabilities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		52,003	81,188
Notes receivable - net		(1,509)	6,995
Accounts receivable - net		168,276	(140,054)
Accounts receivable - related parties - net		48,081	17,733
Other receivables		(6,210)	11,423
Inventories, net		95,306	(233,492)
Prepayments		(20,074)	29,066
Other current assets		(45)	584
Other non-current assets		(2,755)	9,500
Changes in operating liabilities			
Accounts payable		80,873	(54,895)
Accounts payable - related parties		(11,305)	(72,135)
Other payables		(49,677)	57,431
Other current liabilities		(11,144)	(6,079)
Provisions for liabilities		(1,080)	(13,176)
Net defined benefit liability		1,406	(8,075)
Cash inflow generated from operations		1,547,737	843,034
Interest received		14,670	12,696
Dividends received		69,051	50,257
Interest paid		(26,905)	(18,432)
Income tax paid		(125,793)	(152,511)
Net cash flows from operating activities		1,478,760	735,044

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OPTO TECH CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	7	($ 3,600)	$ -
Acquisition of property, plant and equipment	6(7)	(291,571)	(622,218)
Acquisition of intangile assets	6(9)	(17,149)	(11,388)
Decrease in deposits-out		9,987	7,504
Increase in other financial assets	8	(1,950)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	248,956
Proceeds from the capital reduction and liquidation of subsidiaries	6(6)	-	53,647
Cash inflow from business combination	6(6)	-	196,964
Net cash flows used in investing activities		(304,283)	(126,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(28)	1,071,311	2,375,608
Decrease in short-term loans	6(28)	(1,500,194)	(2,511,371)
Increase in long-terms loans	6(28)	814,504	404,045
Decrease in long-terms loans	6(28)	(250,000)	(154,045)
Decrease in guarantee deposits	6(28)	(845)	(830)
Payment of cash dividends	6(17)	(222,719)	(601,342)
Repayment of the principal portion of lease liabilities	6(28)	(20,489)	-
Payment of capital reduction	6(15)	(668,158)	-
Net cash flows used in financing activities		(776,590)	(487,935)
Net increase in cash and cash equivalents		397,887	120,574
Cash and cash equivalents at beginning of year		2,415,981	2,295,407
Cash and cash equivalents at end of year		$ 2,813,868	$ 2,415,981

The accompanying notes are an integral part of these parent company only financial statements.

OPTO TECH CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Opto Tech Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The shares of the Company have been traded on the Taiwan Stock Exchange since May 2, 1995. The Company is primarily engaged in the manufacture and sales of semiconductor components as well as research and development, design, manufacture and sales of systems products.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These parent company only financial statements were authorised for issuance by the Board of Directors on March 19, 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 ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise 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).

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' by $266,212, increased 'lease liability' by $265,820, decreased prepaid rents by $392 with respect to the lease contracts of lessees on January 1, 2019.

C. The Company 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, 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 a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $6,881 was recognised in 2019.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.797%.

E. The Company recognised 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 recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 314,796
Less: Short-term leases	(8,145)
Total lease contract amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 306,651
Incremental borrowing interest rate at the date of initial application	1.797%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 265,820

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

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
Amendment 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 IFRS7 ,'Interest rate benchmark reform'	January 1, 2020

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

(3) IFRSs 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 endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 non-current’	January 1, 2022

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The accompanying parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basic of preparation

A. Except for the following items, the accompanying parent company only 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.

(c) Defined benefit liabilities recognised based on present value of defined benefit obligation less the net amount of pension fund assets.

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 judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional 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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised 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 recognised 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 recognised in other comprehensive income. However, non-monetary 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.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements 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 an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) 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 Company 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.

(4) <u>Classification of current and non-current items</u>

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 realised, 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 realised 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.

(5) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised 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 recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(9) Impairment of financial assets

For accounts receivable or contract assets that do not contain a significant financing component, at each reporting date, the Company recognises the impairment provision for lifetime expected credit losses (ECLs).

(10) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies and the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognise loss continuously in proportion to its ownership.

D. Associates are all entities over which the Company 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 recognised at cost.

E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests of the associate in 'capital surplus' in proportion to its ownership.

G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised 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 Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company'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 Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised 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.

I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

L. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. 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	10 ~ 50 years
Machinery and equipment	8 ~ 10 years
Utility equipment	6 ~ 25 years
Pollution prevention facilities	8 ~ 20 years
Transportation equipment	3 ~ 5 years
Office equipment	3 ~ 7 years
Other equipment	3 ~ 25 years

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

Effective 2019

A. Leases are recognised 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 Company. For short-term leases or leases of low-value assets, lease payments are recognised 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 payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition 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 remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Operating leases (lessee)

Applicable in 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

Intangible assets, mainly computer software, is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

(17) Impairment of non-financial assets

The Company 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 recognised 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. 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 amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(24) Provisions

Provisions, mainly warranties, are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 Company in current period or prior periods. The liability recognised 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) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company'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 Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises 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 recognised 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.

(26) 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 recognised 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 nonmarket 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 each balance sheet date.

Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 10% 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. 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 Company 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 realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.

(28) 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.

(29) 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.

(30) Revenue recognition

A. Sales of goods

(a) The Company is primarily engaged in the manufacture and sales of semiconductor components. Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

(b) A receivable is recognised 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. Sales and installation of systems products

(a) Contracts include sales and installation services of systems products. The system products and the installation services provided by the Company are mostly not distinct and are identified to be one performance obligation since the installation services involve significant customisation and modification. Some contracts are accounted for as a separate performance obligation, and the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. The Company recognises revenue when the performance obligation is satisfied.

(b) The Company provides standard warranties on system products sold. Warranties are estimated based on historical warranty data of system products, and recognised when the amount can be reliably estimated.

(31) Reorganisation

Reorganisation under common control is recognised using book value approach.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Allowance for inventory valuation losses

As the value of the Company's inventories are effected by market prices and product life cycles, there is a higher risk of obsolescence. For inventories aged over a certain period of time and individually identified as obsolete, the net realisable value is estimated based on historical data of inventory closeout. The net realisable value utilised in evaluating obsolete inventories involves uncertainty of estimation as it is subject to management's judgement. Inventories and allowance for inventory voluation losses were material to the financial statements.

As of December 31, 2019, the carrying amount of inventories was $1,212,657.

B. Financial assets - fair value measurement of unlisted stocks without active market

For unlisted securities without active market held by the Company, management assesses their fair values through market approach and takes into account the discount for liquidity. The valuation method is subject to management's judgement and involves uncertainty, which would effect fair value. Please refer to Note 12(3).

As of December 31, 2019, the carrying amount of unlisted stocks without active market was $951,466.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 100	$ 100
Checking demand deposits	337,740	324,951
Time deposits	1,966,028	1,630,930
Cash equivalents - Resale bonds	510,000	460,000
Total	$ 2,813,868	$ 2,415,981

A. The Company 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. Cash and cash equivalents amounting to $22,810 were pledged to others as collateral, and were classified as other financial assets. Please refer to Note 8.

(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		
Funds	$ 165,000	$ 215,000
Valuation adjustment		
Funds	4,315	5,140
Forward exchange contracts	-	241
Total	$ 169,315	$ 220,381
Financial assets mandatorily measured at fair value through profit and loss unlisted stocks		
Forward exchange	($ 31)	$ -
Non-current items:		
Financial assets mandatorily measured at fair value through profit and loss		
Unlisted stocks	$ 127,048	$ 127,048
Valuation adjustment	(20,195)	(20,149)
Total	$ 106,853	$ 106,899

A. The Company recognised net (loss) gain of ($1,144) and $16,176 on financial assets measured at fair value through profit or loss for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

	December 31, 2019	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Liabilities - Current items:		
Forward exchange contracts	USD $ 1,000 (thousands)	December 30, 2019~ January 21, 2020

	December 31, 2018	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Assets - Current items:		
Forward exchange contracts	USD $ 3,000 (thousands)	December 6, 2018~ January 17, 2019

The Company entered into forward exchange contracts to sell USD and buy TWD to hedge exchange rate risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	$ 73,574	$ 73,574
Unlisted stocks	481,409	477,809
Subtotal	554,983	551,383
Valuation adjustment	370,390	320,163
Total	$ 925,373	$ 871,546

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $925,373 and $871,546 as at December 31, 2019 and 2018, respectively.

B. The Company sold $248,956 of stocks of Viking Tech Corporation at fair value and resulted in cumulative gains of $147,759 on disposal during the year ended December 31, 2018.

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

	Year ended December 31	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income-the Company	$ 37,486	$ 187,325
Fair value change recognised in other comprehensive income-Subsidiaries	$ -	$ 77,914
Cumulative gains reclassified to retained earnings due to recognition-the Company	$ -	($ 147,759)
Cumulative gains reclassified to retained earnings due to recognition-Subsidiaries	$ -	($ 90,719)
Dividend income recognised in profit or loss		
Held at end of year	$ 20,051	$ 15,027

(4) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 13,051	$ 11,542
Accounts receivable	1,403,756	1,580,856
Accounts receivable - related parties	34,643	82,724
Less: Allowance for doubtful accounts	(20,700)	(31,047)
Allowance for doubtful accounts - related parties	-	(955)
	$ 1,430,750	$ 1,643,120

As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,559,796.

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2019	December 31, 2018
Without past due	$ 1,397,732	$ 1,574,924
Up to 180 days	19,727	67,759
181 to 360 days	2,789	7,097
Over 361 days	18,151	13,800
	$ 1,438,399	$ 1,663,580

The ageing analysis was based on the past due collection date.

B. The ageing analysis of notes receivable is as follows:

	December 31, 2019	December 31, 2018
Without past due	$ 13,051	$ 11,542

The ageing analysis was based on the maturity date of the promissory note.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 225,820	$ 360,299
Supplies	231,594	209,223
Work in process	354,006	281,452
Semi-finished goods	73,788	147,627
Finished goods	327,449	309,362
Total	$ 1,212,657	$ 1,307,963

The cost of inventories recognised as expense for the period:

	Year ended December 31	
	2019	2018
Cost of goods sold	$ 3,662,019	$ 3,639,209
Gain from reversal of decline in market value	(78,548)	(105,780)
	$ 3,583,471	$ 3,533,429

During the years ended December 31, 2019 and 2018, the Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because prices of products increased and inventory of low-priced stocks declined.

(6) Investments accounted for using equity method

	2019	2018
At January 1	$ 254,105	$ 434,222
Share of profit or loss of investments accounted for using equity method	25,995	28,994
Earnings distribution of investments accounted for using equity method	(49,000)	(35,230)
Changes in capital surplus	444	1,198
Changes in unrealised from financial assets of investees accounted for using equity method	-	(12,805)
Revaluation transferred to retained earnings, net of tax, due to the sale of financial assets of investees accounted for using equity method	-	80,183
Currency translation differences (Note 6 (18))	(11,393)	60
Capital reduction and adjustments of subsidiaries' treasury stocks	1,331	-
Transfers due to reorganisation (Note C)	-	8,046
Proceeds from the capital reduction and liquidation of subsidiaries (Notes D and E)	-	(53,647)
Cash acquired from subsidiaries consolidated (Note C)	-	(196,964)
Gains (losses) on remeasurements of defined benefit plans of subsidiaries recognised	(16)	24
Effects from liquidation of subsidiaries (Note B)	38,593	-
Others	249	24
At December 31	$ 260,308	$ 254,105

	December 31, 2019	December 31, 2018
Subsidiaries	$ 260,308	$ 254,105

A. Details of the subsidiaries of the Company are provided in Note 4(3) in the Company's consolidated financial statements as of and for the year ended December 31, 2019.

B. On March 13, 2019, the Board of Directors of the Company passed a resolution that as a result of the liquidation and dissolution of Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou), an indirect subsidiary, it agreed to exempt the company from the payment of debts of US$1.25 million (approximately NT$38,593, including the effect of foreign exchange amounting to $262). The company was dissolved and liquidated on December 19, 2019.

C. On November 8, 2018, the Board of Directors at their meeting resolved to enter into a short-form merger with its subsidiary, Jyu Shin Investment. Under the merger, the Company will be the surviving company while the Jyu Shin Investment will be the dissolved company. The effective date was December 10, 2018.

D. In the fourth quarter of 2018, the Company's subsidiary - Ho Chung Investment Co., Ltd. conducted a capital reduction of $51,952, representing 5,195,200 outstanding shares whose ratio is around 80%. The effective date of capital reduction was set on November 13, 2018. The return of the share payment has been completed on November 14, 2018.

E. On August 14, 2017, the Board of Directors has resolved to liquidate the Company's offshore company, Source Ever Limited, which was dissolved in March 2018, and the remaining funds of $1,702 (including the effect of foreign exchange amounting to $7) were repatriated to the Company.

(7) Property, plant and equipment

	2019								
At January 1	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 1,771,588	$ 5,293,231	$ 1,097,977	$ 706,514	$ 7,526	$ 64,240	$ 1,899,427	$ 174,849	$ 11,015,352
Accumulated depreciation	(952,692)	(4,068,689)	(947,667)	(577,068)	(6,249)	(52,336)	(1,503,770)	-	(8,108,471)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(84)	-	(7,969)
	$ 818,837	$ 1,216,735	$ 150,310	$ 129,446	$ 1,277	$ 11,885	$ 395,573	$ 174,849	$ 2,898,912
For the year ended December 31									
Opening net book amount	$ 818,837	$ 1,216,735	$ 150,310	$ 129,446	$ 1,277	$ 11,885	$ 395,573	$ 174,849	$ 2,898,912
Additions	7,078	24,508	11,133	3,902	-	3,426	18,144	223,380	291,571
Reclassifications	3,553	229,936	8,937	7,516	-	-	31,463	(281,405)	-
Depreciation expense	(49,648)	(269,968)	(26,642)	(16,962)	(431)	(3,891)	(63,489)	-	(431,031)
Closing net book amount	$ 779,820	$ 1,201,211	$ 143,738	$ 123,902	$ 846	$ 11,420	$ 381,691	$ 116,824	$ 2,759,452
At December 31									
Cost	$ 1,782,219	$ 5,404,370	$ 1,118,047	$ 717,932	$ 7,314	$ 66,404	$ 1,949,323	$ 116,824	$ 11,162,433
Accumulated depreciation	(1,002,340)	(4,196,418)	(974,309)	(594,030)	(6,468)	(54,965)	(1,567,548)	-	(8,396,078)
Accumulated impairment	(59)	(6,741)	-	-	-	(19)	(84)	-	(6,903)
	$ 779,820	$ 1,201,211	$ 143,738	$ 123,902	$ 846	$ 11,420	$ 381,691	$ 116,824	$ 2,759,452

	2018								
At January 1	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 1,764,131	$ 4,896,745	$ 1,064,064	$ 677,355	$ 7,526	$ 52,473	$ 1,846,327	$ 137,628	$ 10,446,249
Accumulated depreciation	(902,762)	(3,851,227)	(920,795)	(562,632)	(5,520)	(47,465)	(1,459,703)	-	(7,750,104)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(84)	-	(7,969)
	$ 861,310	$ 1,037,711	$ 143,269	$ 114,723	$ 2,006	$ 4,989	$ 386,540	$ 137,628	$ 2,688,176
For the year ended December 31									
Opening net book amount	$ 861,310	$ 1,037,711	$ 143,269	$ 114,723	$ 2,006	$ 4,989	$ 386,540	$ 137,628	$ 2,688,176
Additions	782	57,059	14,588	3,195	-	2,581	20,502	523,511	622,218
Disposals	-	(51)	-	-	-	-	(434)	-	(485)
Reclassifications	6,675	382,290	17,551	25,964	-	9,332	44,478	(486,290)	-
Depreciation expense	(49,930)	(260,274)	(25,098)	(14,436)	(729)	(5,017)	(55,513)	-	(410,997)
Closing net book amount	$ 818,837	$ 1,216,735	$ 150,310	$ 129,446	$ 1,277	$ 11,885	$ 395,573	$ 174,849	$ 2,898,912
At December 31									
Cost	$ 1,771,588	$ 5,293,231	$ 1,097,977	$ 706,514	$ 7,526	$ 64,240	$ 1,899,427	$ 174,849	$ 11,015,352
Accumulated depreciation	(952,692)	(4,068,689)	(947,667)	(577,068)	(6,249)	(52,336)	(1,503,770)	-	(8,108,471)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(84)	-	(7,969)
	$ 818,837	$ 1,216,735	$ 150,310	$ 129,446	$ 1,277	$ 11,885	$ 395,573	$ 174,849	$ 2,898,912

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:

	Year ended December 31	
	2019	2018
Amount capitalized	$ 1,042	$ 2,064
Interest rate	0.45%~1.41%	0.58%~1.40%

(8) Leasing arrangements－lessee

Effective 2019

A. The Company leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 20 years.

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

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 235,454	$ 15,215
Buildings	6,953	2,318
Transportation equipment (Business vehicles)	2,778	3,956
Office equipment (Internet equipment)	2,000	769
	$ 247,185	$ 22,258

C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to $3,231.

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

	For the year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 4,270
Expense on short-term lease contracts	$ 6,881

E. For the year ended December 31, 2019, the Company's total cash outflow for leases amounted to $31,640.

(9) Intangible assets

	2019
	Software
At January 1	
Cost	$ 31,090
Accumulated amortisation	(22,521)
	$ 8,569
For the year ended December 31	
Opening net book amount	$ 8,569
Additions	17,149
Amortisation expense	(11,760)
Closing net book amount	$ 13,958
At December 31	
Cost	$ 37,760
Accumulated amortisation	(23,802)
	$ 13,958

	2018
	Software
At January 1	
Cost	$ 31,158
Accumulated amortisation	(22,412)
	$ 8,746
For the year ended December 31	
Opening net book amount	$ 8,746
Additions	11,388
Amortisation expense	(11,565)
Closing net book amount	$ 8,569
At December 31	
Cost	$ 31,090
Accumulated amortisation	(22,521)
	$ 8,569

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2019	2018
Operating costs	$ 3,972	$ 4,156
Selling expenses	505	500
General and administration expenses	4,721	4,297
Research and development expenses	2,562	2,612
Total	$ 11,760	$ 11,565

(10) Short-term borrowings

Type of borrowings	December 31, 2019	December 31, 2018
Unsecured bank borrowings	$ 156,167	$ 585,050
Interest rate range	0.53%~3.86%	0.53%~3.86%

(11) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonus payable	$ 142,886	$ 167,879
Compensation payable to employee	108,746	108,576
Remuneration payable to directors and supervisors	36,249	36,192
Others	243,284	267,939
Total	$ 531,165	$ 580,586

(12) Long-term borrowings

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2019
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	$ 1,200,000	2019.02.20~ 2022.02.20	1.797%~ 3.2865%	$ 814,504
Less: Current portion (shown as "Other non-current liabilities")				-
				$ 814,504

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2018
Bank borrowings from Land Bank of Taiwan (Unsecured)	$ 200,000	2018.09.20~ 2021.08.28	1.30%	$ 200,000
Bank borrowings from Mega Bank (Unsecured)	50,000	2018.12.06~ 2021.06.07	1.83%	50,000
Less: Current portion (shown as "Other non-current liabilities")				-
				$ 250,000

A. On January 15, 2019, the Company signed a joint credit facility of $1.2 billion with four financial institutions including China Trust Commercial Bank. The loan agreement includes the following covenants:

(a) The current ratio should be no less than 100% per half year.

(b) The debt ratio should not be higher than 100%.

(c) The interest coverage ratio shall not be less than 300%.

(d) The tangible net value shall be maintained at more than 5 billion yuan (inclusive).

If the Company fails to meet the required financial ratios, the bank will stop the allocation. In case of violation of the contract, the bank has the right to ask the Company to repay in full the unpaid balance of the loan in advance.

B. Although the long-term borrowing contracts are due on June 7, 2021 and August 28, 2021, the Company had settled the loan in advance on February 20, 2019 due to financial planning considerations.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 contributes monthly an amount equal to 3.35% 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 would assess the balance in the aforementioned labor pension reserve account by the end of 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 will make contributions to cover the deficit.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 646,313	$ 626,097
Fair value of plan assets	(446,430)	(432,795)
Net defined benefit liability	$ 199,883	$ 193,302

(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
2019			
Balance at January 1	$ 626,097	($ 432,795)	$ 193,302
Current service cost	8,099	-	8,099
Interest expense (income)	7,514	(5,194)	2,320
	641,710	(437,989)	203,721
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(14,237)	(14,237)
Change in demographic assumptions	297	-	297
Change in financial assumptions	36,728	-	36,728
Experience adjustments	(17,613)	-	(17,613)
	19,412	(14,237)	5,175
Pension fund contribution	-	(9,013)	(9,013)
Paid pension	(14,809)	14,809	-
Balance at December 31	$ 646,313	($ 446,430)	$ 199,883

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2018			
Balance at January 1	$ 613,312	($ 417,500)	$ 195,812
Current service cost	8,360	-	8,360
Interest expense (income)	9,813	(6,680)	3,133
	631,485	(424,180)	207,305
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(8,327)	(8,327)
Change in demographic assumptions	12,340	-	12,340
Change in financial assumptions	38,711	-	38,711
Experience adjustments	(37,159)	-	(37,159)
	13,892	(8,327)	5,565
Pension fund contribution	-	(19,568)	(19,568)
Paid pension	(19,280)	19,280	-
Balance at December 31	$ 626,097	($ 432,795)	$ 193,302

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and has no right to participate in managing and operating that fund and hence the Company is 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 Utilisation Report announced by the government.

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

	Year ended December 31	
	2019	2018
Discount rate	0.82%	1.20%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 47,832)	$ 52,580	$ 51,155	($ 47,083)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 48,794)	$ 53,825	$ 52,570	($ 48,205)

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 analysing 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 Company for the year ending December 31, 2020 amount to $9,012.

(g) As of December 31, 2019, the Company's weighted average duration of the retirement plan is 16 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	484,894
1-2 year(s)		11,643
2-5 years		2,351
Over 5 years		769
	$	499,657

B. Effective July 1, 2005, the Company established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes 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. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $33,749 and $34,415, respectively.

(14) Provisions

Warranty	2019	2018
At January 1	$ 24,560	$ 37,736
Accrued during the period	9,126	(1,673)
Used during the period	(10,206)	(11,503)
At December 31	$ 23,480	$ 24,560

Analysis of total provisions:

	December 31, 2019	December 31, 2018
Current	$ 7,735	$ 11,423
Non-current	$ 15,745	$ 13,137

The Company provides warranties on LED products sold. Provision for warranties is estimated based on historical warranty data of LED products.

(15) Share capital

A. As of December 31, 2019, the Company's authorized capital was $10,000,000, consisting of 1,000,000 thousand shares of common stock, and the paid-in capital was $3,786,228, consisting of 378,623 thousand shares of common stock 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 for the years ended December 31, 2019 and 2018 are as follows (Treasury stock was deducted):

(In thousands of shares)

	2019	2018
At January 1	444,551	444,551
Capital reduction	(66,683)	-
At December 31	377,868	444,551

B. On April 25, 2019, the Board of Directors proposed a capital reduction of 668,158 thousand, representing 66,816 thousand shares of outstanding shares whose ratio is around 15%. The capital reduction was resolved in the shareholders' meeting on June 13, 2019, and the Company submitted an application to FSC for registration. Subsequently, the Company obtained the registration of the capital reduction on July 18, 2019, with the effective date set on July 26, 2019. The return of the share payment has been completed on September 23, 2019.

C. Treasury stock

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

(In thousands of shares)

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	$ 23,172

		December 31, 2018	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	888	$ 24,503

(b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.

(c) As abovementioned in item B, the number of shares of the Company held by the subsidiary-Ho Chung Investment Co., Ltd. was decreased by 133 thousand shares and the carrying amount of the treasury stocks was decreased by $1,331 as result of the capital reduction in the third quarter of 2019.

(16) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve 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 Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be distributed as follows:

(a) Offset prior years' operating losses.

(b) 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated legal reserve equals the total capital of the Company.

(c) Special reserve set aside in accordance with relevant laws or regulations or as required for operations.

(d) Aside from some of accumulated unappropriated retained earnings will be reserved, remaining retained earnings will be allocated to shareholders as dividends. The Board of Directors proposes a dividend distribution plan for approval by resolution at the shareholders' meeting.

B. The Company operates in the high-tech industry and its business life cycle is in the growth stage. In view of its capital expenditure demand and comprehensive financial plan for continuous development, the Company issues both stock and cash dividends. The proportion of dividends to be distributed in stocks and cash is determined based on the Company's rate of growth and capital expenditures. However, the amount of cash dividends shall not be lower than 50% of the dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve excess 25% of the Company's 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 balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriation of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 13, 2019 and June 20, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 65,311		$ 67,228	
Special reserve	8,392		(59,227)	
Cash dividends	222,719	$ 0.50	601,342	$ 1.35
Total	$ 296,422		$ 609,343	

The abovementioned 2018 earnings appropriation as approved by the stockholders were in agreements with those amounts approved by the Board of Directors on April 25, 2019.

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The appropriation of 2019 earnings had been approved by the Board of Directors on March 19, 2020. Details are summarized below:

	2019	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 60,048	
Special reserve	(4,649)	
Cash dividends	378,623	$ 1.00
Total	$ 434,022	

(18) Other equity items

	2019		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	$ 2,021	$ 251,355	$ 253,376
Financial assets at fair value through other comprehensive income			
Revaluation - Company	-	50,226	50,226
Tax on revaluation - Company	-	(12,740)	(12,740)
Currency translation differences:			
-Subsidiaries	(11,051)	-	(11,051)
-Associates	(342)	-	(342)
At December 31	($ 9,372)	$ 288,841	$ 279,469

	2018		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	$ 1,961	$ 221,384	$ 223,345
Effects of applying new standards	-	3,210	3,210
Balance at January 1 after adjustments	1,961	224,594	226,555
Financial assets at fair value through other comprehensive income			
Revaluation - Company	-	213,141	213,141
Tax on revaluation - Company	-	(25,816)	(25,816)
Revaluation - Subsidiaries	-	77,914	77,914
Revaluation transferred to retained earnings - Company	-	(147,759)	(147,759)
Revaluation transferred to retained earnings - Subsidiaries	-	(90,719)	(90,719)
Currency translation differences:			
-Subsidiaries	128	-	128
-Associates	(68)	-	(68)
At December 31	$ 2,021	$ 251,355	$ 253,376

(19) Operating revenue

	Year ended December 31	
	2019	2018
Revenue from contracts with customers	$ 5,144,198	$ 5,060,329

A. The Company derives revenue in the following major product lines:

For the year ended December 31, 2019	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Other segments	Total
Revenue from customer contracts	$ 3,953,295	$ 1,180,276	$ 10,627	$ 5,144,198

For the year ended December 31, 2018	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Other segments	Total
Revenue from customer contracts	$ 4,153,851	$ 901,638	$ 4,840	$ 5,060,329

B. The Company has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities:	$ 28,301	$ 39,511	$ 45,090

	Year ended December 31	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 31,679	$ 36,958

(20) Other income

	Year ended December 31	
	2019	2018
Rental revenue	$ 80	$ 468
Dividend income	20,051	15,027
Interest income:		
Interest income from bank deposits	12,622	10,284
Interest income from resale bonds	1,924	1,456
Other interest income	311	1,259
Others	18,622	8,708
Total	$ 53,610	$ 37,202

(21) Other gains and losses

	Year ended December 31	
	2019	2018
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	($ 1,144)	$ 16,176
Net currency exchange (loss) gain	(7,352)	10,165
Loss on disposal of property, plant and equipment	-	(485)
Gain on disposal of investments	2,003	1,182
Others	(360)	(795)
Total	($ 6,853)	$ 26,243

(22) Finance costs

	Year ended December 31	
	2019	2018
Interest expense:		
Bank borrowings	$ 23,933	$ 20,668
Lease liabilities	4,270	-
Less: Capitalisation of qualifying assets	(1,042)	(2,064)
	27,161	18,604
Other financial costs	1,050	-
Total	$ 28,211	$ 18,604

(23) Expenses by nature

	Year ended December 31	
	2019	2018
Employee benefit expense	$ 1,146,462	$ 1,164,208
Depreciation	453,289	410,997
Amortisation on intangible assets	11,760	11,565
Total	$ 1,611,511	$ 1,586,770

(24) Employee benefit expense

	Year ended December 31	
	2019	2018
Wages and salaries	$ 995,219	$ 1,011,771
Labor and health insurance fees	83,863	84,217
Pension costs	44,168	45,908
Other personnel expenses	23,212	22,312
	$ 1,146,462	$ 1,164,208

A. According to the Articles of Incorporation of the Company, if the Company has profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors and supervisors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

B. For the years ended December 31, 2019 and 2018, the employees' compensation was accrued at $108,746 and $108,576, respectively; directors' and supervisors' remuneration was accrued at $36,249 and $36,192, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.8%, 3.9%, 11.7% and 3.9%, respectively, of distributable profit of current period distributable as of the end of reporting period.

C. Employees' compensation and directors' remuneration of 2018 as resolved at the shareholders' meeting were in agreement with those amounts recognised in the profit or loss of 2018. The employees' compensation of 2018 will be distributed in the form of cash.

D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the Board of Directors' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 133,666	$ 118,667
Tax on undistributed surplus earnings	29,032	5,923
Prior year income tax overestimation	(1,603)	-
Total current tax	161,095	124,590
Deferred tax:		
Origination and reversal of temporary differences	12,142	18,965
Impact of change in tax rate	-	(13,257)
Total deferred tax	12,142	5,708
Income tax expense	$ 173,237	$ 130,298

(b) The income tax charge relating to components of other comprehensive income are as follows:

	Year ended December 31	
	2019	2018
Remeasurement of defined benefit obligations	($ 1,035)	($ 1,113)
Changes in fair value of financial assets at fair value through other comprehensive income	12,740	18,229
Impact of change in tax rate	-	3,943
	$ 11,705	$ 21,059

(c) The income tax charged to equity during the period is as follows:

	Year ended December 31	
	2019	2018
Subsidiary disposal of financial assets at fair value through other comprehensive income	$ -	$ 10,536

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 155,574	$ 156,681
Expenses disallowed by tax regulation	2,045	2,395
Tax exempt income by tax regulation	(6,114)	(16,147)
Change in assessment of realisation of deferred tax assets	(3,085)	(5,297)
Prior year income tax overestimation	(1,603)	-
Effect from investment tax credits	(2,612)	-
Impact of change in tax rate	-	(13,257)
Tax on undistributed earnings	29,032	5,923
Income tax expense	$ 173,237	$ 130,298

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

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets (liabilities):				
Loss on inventory value decline	$ 26,436	($ 12,079)	$ -	$ 14,357
Expected credit loss	9,185	(655)	-	8,530
Service warranty expense	4,912	(216)	-	4,696
Impairment loss	6,144	(1,223)	-	4,921
Net pension costs	13,715	281	-	13,996
Remeasurement of defined benefit obligations	25,406	-	1,035	26,441
Unrealized gain on valuation of financial assets	(68,808)	-	(12,740)	(81,548)
Others	9,021	1,750	-	10,771
Total	$ 26,011	($ 12,142)	($ 11,705)	$ 2,164

	Year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets (liabilities):				
Loss on inventory value decline	$ 35,013	($ 8,577)	$ -	$ 26,436
Expected credit loss	7,446	1,739	-	9,185
Service warranty expense	6,415	(1,503)	-	4,912
Impairment loss	6,261	(117)	-	6,144
Net pension costs	11,531	2,184	-	13,715
Remeasurement of defined benefit obligations	20,649	-	4,757	25,406
Unrealized gain on valuation of financial assets	(42,992)	-	(25,816)	(68,808)
Others	8,455	566	-	9,021
Total	$ 52,778	($ 5,708)	($ 21,059)	$ 26,011

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 280,858	$ 296,285

E. As of December 31, 2019, 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 on February 7, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

	Year ended December 31, 2019		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 604,633	415,686	$ 1.45
Dilutive effect of common stock equivalents:			
Employees' compensation	-	5,229	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 604,633	420,915	$ 1.44

	Year ended December 31, 2018		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 653,107	444,551	$ 1.47
Dilutive effect of common stock equivalents:			
Employees' compensation	-	7,127	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 653,107	451,678	$ 1.45

(27) Operating leases

Effective 2018

The Company had entered into agreements to lease land and plant from Hsinchu Science Park and other related parties for the period from 1997 to 2037 and the period from 2018 to 2022, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than 1 year	$ 31,628
Later than 1 year but not later than 5 years	79,929
Later than 5 years	203,239
	$ 314,796

(28) Changes in liabilities from financing activities

	2019				
	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits	Liabilities from financing activities-gross
At January 1	$ 585,050	$ 250,000	$ 265,820	$ 2,260	$ 1,103,130
Changes in cash flow from financing activity	(428,883)	564,504	(20,489)	(845)	114,287
Interest payment	-	-	(4,270)	-	(4,270)
Increase in lease principal	-	-	3,231	-	3,231
Amortization of interest expenses	-	-	4,270	-	4,270
At December 31	$ 156,167	$ 814,504	$ 248,562	$ 1,415	$ 1,220,648

	2018			
	Short-term borrowings	Long-term borrowings	Guarantee deposits	Liabilities from financing activities-gross
At January 1	$ 720,813	$ -	$ 3,090	$ 723,903
Changes in cash flow from financing activity	(135,763)	250,000	(830)	113,407
At December 31	$ 585,050	$ 250,000	$ 2,260	$ 837,310

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CS Bright Corporation	This company is the subsidiary of the Company.
Opto Plus Technology Co., Ltd.	This company is the subsidiary of the Company.
Opto Tech (Macao) Co., Ltd.	This company is the subsidiary of the Company.
Opto Tech (Suzhou) Co., Ltd.(Note)	This company is the subsidiary of the Company.
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company; this company is the director of the Company.
Giga Epitaxy Technology Corp.	The Company is the director of this company.
Nichia Taiwan Corp.	This company is the director of the Company.
Nichia Corp.	This company's subsidiary is the director of the Company.
VML Technologies B.V.	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method.
Shen Zhen Guang Xin Vision Technology Co., Ltd.(Shen Zhen Guang Xin)	The chairman of this company is an independent director of the Company.
Guang Xin Vision Co., Ltd.(Guang Xin Vision)	The chairman of this company is an independent director of the Company.
Guang Xin Vision Tech. (HK) CO., Ltd.(Hong kong Guang Xin)	The chairman of this company is an independent director of the Company.

Note: The liquidation of the company was completed on December 19, 2019, please refer to Note 6(6)B for the details.

(2) Significant transactions and balances with related parties

A. Operating revenue:

	Year ended December 31	
	2019	2018
Sales of goods:		
Subsidiaries	$ 9,237	$ 13,344
Associates	120,137	878
Other related parties	317,830	316,610
Total	$ 447,204	$ 330,832

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the years ended December 31, 2019 and 2018, the credit term for the related parties was 30 ~136 days. Some related parties adopt the method of shipping after receiving the payment. The credit term was 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	Year ended December 31	
	2019	2018
Purchases of goods:		
Subsidiaries	$ 4,429	$ 9,620
Other related parties	243,697	378,785
Total	$ 248,126	$ 388,405

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the years ended December 31, 2019 and 2018, the credit term was 60 ~ 120 days for the related parties, and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	December 31, 2019	December 31, 2018
Receivables from related parties:		
Subsidiaries	$ 1,855	$ 3,252
Associates	-	340
Other related parties	32,788	79,132
Less: Allowance for doubtful accounts	-	(955)
Total	$ 34,643	$ 81,769

D. Accounts payable:

	December 31, 2019	December 31, 2018
Payables to related parties:		
Subsidiaries	$ 1,366	$ 3,384
Others related parties	78,676	87,963
Total	$ 80,042	$ 91,347

E. Loans to /from related parties:

Loans to related parties:

(a) Outstanding balance:

	December 31, 2019	December 31, 2018
Associates	$ -	$ 38,331

(b) Interest income

	December 31, 2019	December 31, 2018
Subsidiaries	$ 275	$ 1,226

The loans to subsidiaries are repayable within a year starting from the date of first withdraw and carry interest, which are repayable monthly, at 3.23050%-3.55010% and 2.15611%-3.23050% per annum for the years ended December 31, 2019 and 2018, respectively.

F. Endorsements and guarantees provided to related parties:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 159,129	$ 214,590

G. Lease

(a) Rent expense

	Year ended December 31	
	2019	2018
Other related parties	$ 2,400	$ 2,400

The Company leases plant and machinery from related parties. The monthly rental payments are mutually agreed upon. The payment terms are not materially different from those charged by non-related parties.

(b) Lease liabilities

(i) Outstanding balance:

	December 31, 2019
Other related parties	$ 6,815

(ii) Interest expense

	December 31, 2019
Other related parties	$ 144

H. Property transactions

	Year ended December 31	
	2019	2018
Acquisition of property, plant and equipment:		
Other related parties	$ 459	$ -
Acquisition of financial assets at fair value through other comprehensive income-other related parties	$ 3,600	$ -

(3) Key management compensation

	Year ended December 31	
	2019	2018
Salaries and other short-term employee benefits	$ 76,453	$ 75,884
Post-employment benefits	459	490
Total	$ 76,912	$ 76,374

8. Pledged Assets

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

	Book value		Purpose of pledge	
Pledged assets	December 31, 2019	December 31, 2018	Creditor Bank	Type
Restricted assets-Time deposits, (shown as "other current assets")	$ 22,810	$ 20,860	Chang Hwa Commercial Bank Far Eastern International Bank	Land lease and dormitory lease deposits

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) As of December 31, 2019, the guarantees provided by the Company through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Far Eastern International Bank	Warranty	$ 19,450
Chang Hwa Commercial Bank	Customs duty	12,000
Chang Hwa Commercial Bank	Warranty	3,360
Mega International Commercial Bank	〃	18,265
Taishin International Bank	Borrowing	129,559
		$ 182,634

(2) As of December 31, 2019, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	730
JPY	19,665
USD	455
EUR	50

(3) Operating lease commitments:

Please refer to Notes 6(8) and 6(27).

(4) As of December 31, 2019, the promissory notes issued by the Company for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to $4,699,623.

(5) As of December 31, 2019, the capital expenditure contracted but not yet incurred is $55,138.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

See Note 6 (17).

12. Others

(1) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Company 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 less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

As of December 31, 2019 and 2018, the gearing ratios were (34%) and (26.59%), respectively.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019		December 31, 2018	
Financial assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$	276,168	$	327,280
Financial assets at fair value through other comprehensive income		925,373		871,546
Financial assets at amortised cost/Loans and receivables				
Cash and cash equivalents		2,813,868		2,415,981
Notes receivable		13,051		11,542
Accounts receivable-net (including related parties)		1,417,699		1,631,578
Other accounts receivable		18,712		50,910
Guarantee deposits paid		15,884		25,871
Other financial assets		22,810		20,860
	$	5,503,565	$	5,355,568
Financial liabilities				
Financial assets mandatorily measured at fair value through profit or loss	$	31	$	-
Financial liabilities at amortised cost				
Short-term borrowings		156,167		585,050
Accounts payable (including related parties)		697,798		628,230
Other accounts payable		531,165		580,586
Long-term borrowings		814,504		250,000
Guarantee deposits received		1,415		2,260
	$	2,201,049	$	2,046,126
Lease liabilities	$	248,562	$	-

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) The plans for material treasury activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company use forward foreign exchange contracts, transacted with Company treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. As the foreign operations are strategic investments, the Company does not hedge for them.

iv. The Company's businesses involve some non-functional currency operations.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			Year ended December 31, 2019 Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 39,094	29.93	$ 1,170,083	1%	$ 11,701	$ -	($ 26,704)
JPY : TWD	132,596	0.274	36,331	1%	363	-	(353)
CNY : TWD	26,475	4.28	113,313	1%	1,133	-	(1,103)
Investment for using equity method							
USD : CNY (Note)	1,864	29.98	55,876	1%	-	559	-
Non-monetary items: None.							
Financial liabilities							
USD : TWD	$ 29,766	30.03	$ 893,873	1%	($ 8,939)	$ -	$ 19,395
JPY : TWD	416,164	0.2780	115,694	1%	(1,157)	-	1,644
Non-monetary items: None.							

Note：If the entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the entities should be disclosed.

	December 31, 2018			Year ended December 31, 2018 Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 46,819	30.665	$ 1,435,705	1%	$ 14,357	$ -	($ 2,085)
JPY : TWD	161,562	0.2762	44,623	1%	446	-	410
CNY : TWD	20,383	4.447	90,643	1%	906	-	(279)
Investment for using equity method							
USD : CNY (Note)	221	30.715	6,774	1%	-	68	-
Non-monetary items: None.							
Financial liabilities							
Monetary items							
USD : TWD	$ 24,525	30.765	$ 754,512	1%	($ 7,545)	$ -	$ 4,332
JPY : TWD	379,293	0.2802	106,278	1%	(1,063)	-	(2,037)
Non-monetary items: None.							

Note：If the entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the entities should be disclosed.

Price risk

i. The Company'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. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

ii. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these domestic funds, equity securities of listed company or unlisted company had increased/decreased by 5%, 20% or 10%, respectively, with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $19,151 and $21,697, 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 $100,613 and $96,007 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Interest rate risk

i. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at floating rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. During the years ended December 31, 2019 and 2018, the Company's borrowings at floating rate were denominated in TWD, USD and JPY.

ii. At December 31, 2019 and 2018, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been $7,765 and $6,680 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as operating activities, including outstanding receivables.

ii. The default occurs when the contract payments are past due over 181 days for distributors and 361 days for other customers, respectively.

iii. The Company classifies customers' accounts receivable, in accordance with credit risk on trade and customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

iv. 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) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

v. The Company used historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of December 31, 2019 and 2018, the loss rate methodology is as follows:

	Individual	Group	Total
At December 31, 2019			
Expected loss rate	100%	0.1%~100%	
Total book value	$ -	$ 1,451,450	$ 1,451,450
Loss allowance	$ -	$ 20,700	$ 20,700

	Individual	Group	Total
At December 31, 2018			
Expected loss rate	100%	0.01%~100%	
Total book value	$ 8,846	$ 1,666,276	$ 1,675,122
Loss allowance	$ 8,846	$ 23,156	$ 32,002

vi. 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 Company's accounts receivable was $1,430,750 and $1,643,120, respectively.

vii. Movements in relation to the company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 32,002	$ 25,630
(Reversal of) provision for impairment	(2,478)	6,372
Write-offs	(8,824)	-
At December 31	$ 20,700	$ 32,002

viii. The Company conducts business with banks and financial institutions with sound reputation, and therefore do not expect the financial assets at amortized cost to have credit risk.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

ii. The table below analyses the Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

December 31, 2019 Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 156,657	$ -	$ -	$ -	$ -
Accounts payable (including related parties)	697,798	-	-	-	-
Other payables (including related parties)	531,165	-	-	-	-
Lease liabilities	23,104	21,309	7,361	35,135	185,671
Long-term borrowings (including current portion)	22,389	83,394	713,706	-	-
Derivative financial liabilities：					
Forward exchange contracts	31	-	-	-	-

December 31, 2018 Non-derivative financial liabilities:	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 587,567	$ -	$ -	$ -	$ -
Accounts payable (including related parties)	628,230	-	-	-	-
Other payables	580,586	-	-	-	-
Long-term borrowings (including current portion)	3,515	3,515	252,106	-	-

(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 take 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.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities and long-term borrowings are approximate to their fair value.

C. The related information of 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 as at December 31, 2019 and 2018 is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 169,315	$ -	$ -	$ 169,315
Equity securities	-	-	106,853	106,853
Financial assets at fair value through other comprehensive income	80,760	-	844,613	925,373
Total	$ 250,075	$ -	$ 951,466	$ 1,201,541

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 220,140	$ -	$ -	$ 220,140
Forward exchange contract	-	241	-	241
Equity securities	-	-	106,899	106,899
Financial assets at fair value through other comprehensive income	88,519	-	783,027	871,546
Total	$ 308,659	$ 241	$ 889,926	$ 1,198,826

D. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are composed of listed shares using closing price and open-end fund using net asset value at balance sheet date.

(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.

(c) When assessing non-standard and low-complexity financial instruments, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Company'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 balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

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 financial instruments of equity securities for the years ended December 31, 2019 and 2018.

	2019	2018
At January 1	$ 889,926	$ 812,847
Purchases	3,600	-
Losses recognised in income	(46)	16,060
Losses recognised in other comprehensive income	57,986	61,019
At December 31	$ 951,466	$ 889,926

G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and reviewing periodically.

I. 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:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 841,013	Market comparable companies	Price to earnings ratio multiple	0.75~1.21	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	25%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,853	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 889,926	Market comparable companies	Price to earnings ratio multiple	0.82~1.20	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	17.72%~27.90%	The higher the discount for lack of marketability, the lower the fair value.

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurements. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			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	Discount of lack of volatility	±5%	$ 1,274	($ 1,274)	$ 14,571	($ 14,571)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	$ 1,151	($ 1,151)	$ 15,106	($ 15,106)

13. SUPPLEMENTARY DISCLOSURES

(4) 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 $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

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

(5) <u>Information on investees</u>

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

(6) <u>Information on investments in Mainland China</u>

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. <u>SEGMENT INFORMATION</u>

Operating segments information was disclosed in the consolidated financial statements in accordance with the standard.

OPTO TECH CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Cash on hand and petty		$ 100	
Cash in banks			
Checking accounts		9,620	
Demand deposits		201,226	
Foreign currency deposits	JPY 33,007 thousand	9,044	JPY exchange rate 0.274
	USD 3,812 thousand	114,107	USD exchange rate 29.93
	RMB 872 thousand	3,733	RMB exchange rate 4.28
	EUR 0.305 thousand	10	EUR exchange rate 33.39
Time deposits		1,936,098	Maturity date 2020/1/5~2020/3/30
	USD 1,000 thousand	29,930	USD exchange rate 29.93 Maturity date 2020/1/13
Cash equivalents - Resale bonds	0.34%~0.36%	510,000	Maturity date 2020/1/2~2020/2/14
		$ 2,813,868	

OPTO TECH CORPORATION
STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Company A	USD 14,420 thousand	$ 431,575	
Company B	USD 4,461 thousand	133,526	
Company C		101,125	
Company D	USD 3,155 thousand	94,428	
Company E	RMB 11,663 thousand USD 864 thousand	75,787	
Others		567,315	None of balances of each remaining items is greater than 5% of this account; among which $18,151 was past due more than a year
		1,403,756	
Less: Allowance for doubtful accounts		(20,700)	
		$ 1,383,056	
Related parties-			
Nichia Corp.	JPY 44,545 thousand	12,205	
Shin-Etsu Opto Electronic Co., Ltd.		11,838	
Guang Xin Vision Co., Ltd.	USD 237 thousand	7,087	
Opto Plus Technology Co., Ltd.	USD 62 thousand	1,855	
Guang Xin Vision Tech. (HK) CO.,Ltd.	USD 29 thousand	877	
Nichia Taiwan Corp.	JPY 2,812 thousand	781	
		34,643	
Less: Allowance for doubtful accounts		-	
		$ 34,643	

OPTO TECH CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Amount: Cost	Amount: Net Realizable Value	Note
Raw materials	$ 380,143	$ 231,855	
Supplies	265,430	229,479	
Work in process	369,611	609,163	
Semi-finished goods	90,601	105,500	
Finished goods	337,998	483,550	
Total	1,443,783	$ 1,659,547	
Less: Allowance for inventory valuation and obsolescence losses	(231,126)		
Net amount	$ 1,212,657		

OPTO TECH CORPORATION

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Beginning Balance		Addition		Decrease		Ending Balance			
Name	Shares (in thousands)	Fair Value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Fair Value	Collateral	Note
Nichia Corp.	10	$ 723,290	-	$ 63,703	-	$ -	10	$ 786,993	None	
Viking Tech Corp.	2,874	88,519	-	-	-	(7,759)	2,874	80,760	〃	
Giga Epitaxy Technology Corp.	4,950	26,515	-	-	-	(12,714)	4,950	13,801	〃	
Shin-Etsu Opto Electronic Co., Ltd.	2,000	33,222	-	6,997	-	-	2,000	40,219	〃	
Guang Xin Vision Co., Ltd.	-	-	360	3,600		-	360	3,600	〃	
Total		$ 871,546		$ 74,300		($ 20,473)		$ 925,373		

OPTO TECH CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Beginning Balance	Addition	Decrease	Ending Balance	Note

Refer to Note 6(7) for more details.

OPTO TECH CORPORATION
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Nature	Creditor	Description	Ending Balance	Contract Period	Interest Rate	Credit Line		Collateral		Note
Unsecured borrowing	China Trust Commercial Bank Hsinchu Branch	General borrowings	$ 30,030	1 year	Floating rate	NTD	150,000	Promissory notes	$150,000	
〃	Mega International Commercial Bank Hsinchu Science Park Xin'an Branch	〃	25,740	〃	〃	USD	10,000	Promissory notes	304,500	
〃	HSBC Bank (Taiwan) Limited Taichung Branch	〃	3,175	〃	〃	USD	7,000	Promissory notes	231,975	
〃	Taipei Fubon Commercial Bank Hsinchu Branch	〃	6,203	〃	〃	USD	6,000	Promissory notes	212,450	
〃	Chang Hwa Commercial Bank Hsinchu Science-Based Industrial Park Branch	〃	3,731	〃	〃	NTD	200,000	Promissory notes	200,000	
〃	E.Sun Bank Hsinchu Branch	〃	8,560	〃	〃	NTD	200,000	Promissory notes	200,000	
〃	First Commercial Bank Hsinchu Branch	〃	44,538	〃	〃	NTD	300,000	Promissory notes	300,000	
〃	Land Bank of Taiwan Hsinchu Branch	〃	1,284	〃	〃	NTD	300,000	Promissory notes	300,000	
〃	Bank of Taiwan Hsinchu Science-Based Industrial Park Branch	〃	2,411	〃	〃	NTD	250,000	Promissory notes	250,000	
〃	Hua Nan Commercial Bank Chupei Branch	〃	465	〃	〃	NTD	150,000	Promissory notes	150,000	
〃	Far Eastern International Bank Science-Based Industrial Park Branch	〃	30,030	〃	〃	NTD	200,000	Promissory notes	200,000	
			$156,167							

Note: Interest is calculated based on floating rates, and the interest rate was ranged from 0.53% to 3.86%. for the year.

OPTO TECH CORPORATION
STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Company A	USD 2,267 thousand	$ 68,084	
Company B	JPY 211,778 thousand	58,874	
Company C		40,223	
Company D		37,286	
Company E	USD 1,035 thousand	31,076	
Others		382,213	None of balances of each remaining items is greater than 5% of this account
		$ 617,756	
Related parties-			
Nichia Taiwan Corp.		$ 39,007	
	JPY 26,883 thousand	7,473	
	USD 43 thousand	1,289	
Nichia Corp.	JPY 19,191 thousand	5,335	
	USD 257 thousand	7,703	
Giga Epitaxy Technology Corp.		8,185	
Shin-Etsu Opto Electronic Co., Ltd.		1,564	
	USD 199 thousand	6,153	
	JPY 6,862 thousand	1,967	
CS Bright Corp.		1,366	
		$ 80,042	

OPTO TECH CORPORATION
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount

Refer to Note 6(11) for more details on ‘other payables’.

OPTO TECH CORPORATION
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Volume		Amount	Note
LED	14,657,947,249	EA	$ 1,321,602	
	180	IN2	83	
	776	PCS	2,080	
Silicon sensor	26,718,290,314	EA	2,704,335	
	1,008	PCS	2,273	
System product			1,135,105	
Others			50,954	
Total			5,216,432	
Less: Sales returns			(4,463)	
Sales discounts and allowances			(67,771)	
Operating revenue, net			$ 5,144,198	

OPTO TECH CORPORATION
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Beginning materials		$ 953,945	
Add: Materials purchased		2,124,230	
Less: Ending materials		(736,174)	
Transfers to expenses		(920,554)	
Materials scrapped		(47,776)	
Cost to sell materials		(166,517)	
Cost of consumption materials		1,207,154	
Direct labor		403,861	
Manufacturing expense		1,795,002	
Manufacturing cost		3,406,017	
Add:Beginning work in progress		335,172	
Transfers to expenses		17,930	
Less:Ending work in progress		(369,611)	
Work in progress scrapped		(39,540)	
Cost of finished goods		3,349,968	
Add:Beginning finished goods		328,520	
Finished goods purchased		57,754	
Transfers from expenses		10,378	
Less:Ending finished goods		(337,998)	
Finished goods scrapped		(11,282)	
Cost of finished goods		3,397,340	
Add: Cost to sell materials		166,517	
Inventories scrapped		98,598	
Less: Gain on reversal of decline in market value		(78,548)	
Revenue from sale of scraps		(436)	
Total operating cost		$ 3,583,471	

OPTO TECH CORPORATION
STATEMENT OF MANUFACTURING EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Indirect materials		$ 712,611	
Depreciation		381,327	
Utilities expense		155,789	
Indirect labour		148,947	
Repairs and maintenance expense		95,979	
Other expenses		300,349	None of balances of each remaining items is greater than 5% of this account
		$ 1,795,002	

OPTO TECH CORPORATION
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 33,657	
Import/export (customs) expense		20,436	
Commissions expense		13,578	
Advertising costs		9,567	
Service warranty expense		9,126	
Traveling Expense		6,392	
Other expenses		18,226	None of balances of each remaining items is greater than 5% of this account
		$ 110,982	

OPTO TECH CORPORATION
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 245,637	
Depreciations		37,318	
Other expenses		93,547	None of balances of each remaining items is greater than 5% of this account
Total		$ 376,502	

OPTO TECH CORPORATION
STATEMENT OF DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		$ 163,118	
Experimental expense		87,235	
Depreciation		33,950	
Other expenses		58,338	None of balances of each remaining items is greater than 5% of this account
		$ 342,641	

OPTO TECH CORPORATION

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

YEAR ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense(Note)						
Wages and salaries	$ 552,807	$ 404,003	$ 956,810	$ 570,272	$ 402,607	$ 972,879
Labour and health insurance fees	54,570	29,293	83,863	55,949	28,268	84,217
Pension costs	25,600	18,568	44,168	27,376	18,532	45,908
Directors' remuneration	-	38,409	38,409	-	38,892	38,892
Other personnel	13,186	10,026	23,212	13,026	9,286	22,312
	$ 646,163	$ 500,299	$ 1,146,462	$ 666,623	$ 497,585	$ 1,164,208
Depreciation Expense	$ 381,327	$ 71,962	$ 453,289	$ 342,180	$ 68,817	$ 410,997
Amortisation Expense	$ 3,972	$ 7,788	$ 11,760	$ 4,156	$ 7,409	$ 11,565

OPTO TECH CORPORATION

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION (Cont.)

YEAR ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

Note:

A. As at December 31, 2019 and 2018, the Company had 1,344 and 1,375 employees, including 8 non-employee directors for both years.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：

(a) Average employee benefit expense in current year was $829 ((Total employee benefit expense in current year – Total directors' compensation in current year)/(Number of employees in current year–Number of non-employee directors in current year)).
Average employee benefit expense in previous year was $823 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/ (Number of employees in previous year – Number of non-employee directors in previous year)).

(b) Average employee salaries in current year were $716 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).
Average employee salaries in previous year was $712 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).

(c) Adjustments of average employee salaries was 0.56% ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).

Opto Tech Corporation and subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 4)	Remark
0	Opto Tech Corp.	Opto Tech (Suzhou) Co., Ltd.	Other receivables-Related Parties	Yes	$ 93,727	$ -	$ -	-	2	$ -	Pay debt	$ -	None	$ -	$ 726,468	$ 2,905,870	Note 5
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables-Related Parties	Yes	22,857	14,986	14,986	-	1	190,796	None	-	None	-	190,796	31,816	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is “0”.

(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship with the borrower is classified into the following categories:

(1)The borrower having business relationship is numbered as “1”.

(2) The borrower having the needs of short-term financing is numbered as “2”.

Note 3: Limit on loans granted to a single party, which has the needs of short-term financing with the Company should not exceed 10% of the Company’s latest net asset value. Besides, limit on loans granted to a single party, which has business relationship with the subsidiaries should not exceed total amount that the two sides trade in the recent six-month period.

Note 4: Total amount of loans of the Company should not exceed 40% of the net value of the Company’s latest net asset value, and total amount of loans of the subsidiaries should not exceed 20% of the net values of the subsidiaries’ latest net asset values.

Note 5: The Company’s subsidiary, Opto Tech (Suzhou) Co., Ltd., was dissolved and liquidated on December 19, 2019; therefore, the Company withdrew the limit on the loans granted to the subsidiary.

Opto Tech Corporation and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of TWD

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Remark
0	Opto Tech Corp.	CS Bright Corp.	3	$ 1,452,935	$ 30,000	$ 30,000	$ -	$ -	0.41%	$ 3,632,338	Y	N	N	-
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	3	1,452,935	185,220	129,129	94,016	-	1.78%	3,632,338	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is “0”.

(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

(5) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(6) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Under the Company’s “Procedures for Provision of Endorsements and Guarantees”, the Company’s total guarantees and endorsements to others should not exceed 50% of the Company’s net asset value, and total guarantees and endorsements provided for a single party should not exceed 20% of the Company’s net asset value. The calculation is shown below:

(1) $7,264,675 thousand dollars × 20% ＝ $1,452,935 thousand dollars.

(2) $7,264,675 thousand dollars × 50% ＝ $3,632,338 thousand dollars.

Opto Tech Corporation and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 3 Expressed in thousands of TWD

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019 Number of shares	Book value	Ownership (%)	Fair value	Remark
Opto Tech Corp.	Stock	AXT, Inc.	None.	Financial assets at fair value through profit or loss	124,100	$ -	-	$ -	Note
〃	〃	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	Financial assets at fair value through other comprehensive income	10,000	786,993	0.45	786,993	None
〃	〃	Viking Tech Corporation.	None.	〃	2,873,994	80,760	2.45	80,760	None
〃	〃	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	13,127,236	106,853	6.38	106,853	None
〃	〃	Giga Epitaxy Technology Corp.	The Company is the director of this company.	Financial assets at fair value through other comprehensive income	4,950,491	13,801	15.00	13,801	None
〃	〃	Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company.	〃	2,000,000	40,219	10.00	40,219	None
〃	〃	Top Increasing Technology Co., Ltd.	None.	Financial assets at fair value through profit or loss	10,000,000	-	16.67	-	None
〃	〃	Guang Xin Vision Co., Ltd.	The chairman of this company is an independent director of the campany.	Financial assets at fair value through other comprehensive income	360,000	3,600	12.00	3,600	None
Ho Chung Investment Co., Ltd.	〃	Opto Tech Corp.	Parent company	Financial assets at fair value through profit or loss	754,543	19,429	0.20	19,429	None
Opto Tech Corp.	Fund	Franklin Templeton Sinoam Money Market fund	None.	〃	4,448,043	46,167	None	46,167	None
〃	〃	Taishin 1699 Money Market fund	None.	〃	2,280,623	30,981	None	30,981	None
〃	〃	FSITC Taiwan Money Market fund	None.	〃	4,022,602	61,799	None	61,799	None
〃	〃	Jih Sun Money Market fund	None.	〃	2,041,210	30,368	None	30,368	None

Note : The 124,000 shares of AXT, Inc. which are owned by the Company, are preferred stocks.

Opto Tech Corporation and subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remark
Opto Tech Corp.	Nichia Corp.	This company's subsidiary is the director of the Company	Sales	($ 245,238)	(4.77%)	45 days	The unit prices are the same wih third parties.	-	$ 12,205	0.85%	-
Opto Tech Corp.	VML TECHNOLOGIES B.V	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method	Sales	(120,137)	(2.34%)	66 days	〃	-	-	-	-
Opto Tech Corp.	Nichia Taiwan Corp.	The company is the director of this company	Purchases	121,054	5.90%	120 days	〃	-	(47,769)	6.85%	-
Opto Plus Technology Co., Ltd.	CS Bright Corporation	The company is the indirect subsidiary of this company	Sales	(190,796)	78.20%	90 days	〃	-	39,179	83.89%	-

Opto Tech Corporation and subsidiaries
Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 5 | Expressed in thousands of TWD

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Sales	$ 11,079	Note 4	0.20%
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Accounts receivable	58,136	Note 4	0.56%
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Other receivables-related party	14,986	-	0.15%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Sales	190,796	Note 4	3.52%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Accounts receivable	39,179	Note 4	0.38%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is “0”.
(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship between transaction company and counterparty is classified into the following six categories:
(1)Parent company to subsidiary.
(2)Subsidiary to parent company.
(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The unit sales prices are equivalent to third parties. The credit term was 30~85 days for the related parties.

Note 5: The disclosure standard requires above $10,000 thousand for the transaction amount. Only assets and revenue are disclosed, related transactions are not disclosed.

Opto Tech Corporation and subsidiaries

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as of December 31, 2019	Initial investment amount: Balance as of December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding	$ 443,110	$ 443,110	14,000,000	100.00	$ 55,876	$ 58,382	$ 19,788	Subsidiary of the Company
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	258,348	258,348	1,298,800	100.00	35,502	13,696	8,603	Subsidiary of the Company
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	4,096	4,096	-	100.00	13,490	(4,203)	(4,203)	Subsidiary of the Company
Opto Tech Corp.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays, SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	155,440	1,809	1,807	Subsidiary of the Company
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25.00	8,768	33,874	8,469	Investment accounted for using equity method
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	171,332	5,100,000	100.00	24,505	5,441	13,312	Indirect subsidary
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50.00	39,024	10,905	5,453	Indirect subsidary
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding	294,360	294,360	9,000,000	100.00	11,925	53,093	53,093	Indirect subsidary
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Investment business	148,910	148,910	5,000,000	50.00	39,024	10,905	5,452	Indirect subsidary

Opto Tech Corporation and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of January 1, 2019	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Remark
Opto Tech (Suzhou) Co., Ltd.	Research, Design and Manufacture of LED Display, Wireless Communication Equipment and related parts	$ 294,708	(2)	$ 294,708	$ -	$ -	$ 294,708	$ 46,830	100.00%	$ 46,830	$ -	$ -	-
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	10,905	99.94%	10,898	78,048	-	-

Note 1: The investment methods are classified into six categories as follows:

(1) Directly investing in the investee company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee company in Mainland China. (Opto Tech (Cayman) Co., Ltd. invests Opto Tech (Suzhou) Co., Ltd. and Everyung Investment Ltd. invests Opto plus Technology Co., Ltd.)

(3) Others.

Note 2: The investment income or loss was recognised by indirect weighted ownership based on the financial statements of these investees which were not reviewed by the independent accountants of the parent company for the corresponding periods.

Investments in Mainland China for the year ended December 31, 2019:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	$ 612,049	$ 612,557	$ 4,358,805

Opto Tech Corporation and its subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2019

Table 8

Expressed in thousands of TWD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	
Opto Tech (Suzhou) Co., Ltd.	$ -	-	$ -	-	$ -	-	$ -	-	$ 93,727	$ -	-	$ 275	None
Opto Plus Technology Co., Ltd.	19,904	0.37	-	-	59,991	4.14	129,129	Guarantee of bank line of credit	-	-	-	-	None
Opto Plus Technology Co., Ltd.	(190,796)	(3.52)	-	-	(39,179)	(0.38)	-		22,857	14,986	-	-	None