

English Translation of a Report and Consolidated Financial Statements Originally Issued in Chinese

**FARADAY TECHNOLOGY CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS THEN ENDED  
DECEMBER 31, 2019 AND 2018**

Address: No. 5 Li-Hsin Road III, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.  
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Notice to Readers

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 and for the year then ended prepared under the International Financial Reporting Standards No.10 “Consolidated and Separate Financial Statement” (referred to as “Consolidated Financial Statements”) are the same as the entities to be included in the combined financial statements of the Company, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

FARADAY TECHNOLOGY CORPORATION

Chairman: Stan Hung

February 13, 2020

## **Independent Auditors' Report Originally Issued in Chinese**

To Faraday Technology Corporation

### **Opinion**

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

Net sales recognized by the Group amounted to NT\$5,306,351 thousand for the year ended December 31, 2019, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$3,055,045 thousand, NT\$1,856,522 thousand and NT\$394,784 thousand, constituting 57.57%, 34.99% and 7.44% of consolidated net sales, respectively. Revenue is the main operating activity of the Group. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Group's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (17) and Note 6 (13).

### Inventories

As of December 31, 2019, the Group's net inventories amounted to NT\$634,554 thousand, constituting 8.24% of consolidated total assets, which is significant for the Group. The production of application-specific integrated circuit (ASIC) products are outsourced by professional wafer foundry and assembly and testing house. ASIC inventories are stored in several vendors and the complexity of inventory management increases. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), understanding the internal control over inventory quantities, evaluating the management's stock taking plan, selecting samples to perform physical inventory observation considering the inventory balances by location and selecting samples to perform external confirmation procedures for the inventories which we did not observe, and agreed the items of physical inventory observations or confirmations to sub-ledger. We also assessed the adequacy of accounting policy and disclosures of inventories. Please refer to Note 4 (11) and Note 6 (5).

### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT\$580,370 thousand and NT\$578,153 thousand, constituting 7.54% and 8.48% of total consolidated assets as of December 31, 2019 and 2018, respectively, and total operating revenues of NT\$1,134,139 thousand and NT\$1,066,065 thousand, constituting 21.37% and 21.74% of consolidated operating revenues for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$81,183 thousand and NT\$85,490 thousand, representing 1.05% and 1.25% of consolidated total assets as of December 31, 2019 and 2018, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(3,646) thousand and NT\$(10,486) thousand, represented (0.87)% and (3.32)% of the consolidated net income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(661) thousand and NT\$961 thousand, representing (0.41)% and (0.58)% of the consolidated other comprehensive income, for the years ended December 31, 2019 and 2018, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
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 ability to continue as a going concern of the Group. 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements 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.

## **Others**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2019 and 2018.

/s/Chiu, Wan-Ju

/s/Kuo, Shao-Pin

Ernst & Young, Taiwan

February 13, 2020

### Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
As of December 31, 2019 and December 31, 2018  
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4,6(1)	\$ 2,776,055	\$ 2,387,534	Contract liabilities, current	4,6(13)	\$ 303,024	\$ 300,408
Financial assets at fair value through profit or loss, current	4,6(2)	22,016	25,525	Notes payable		4	4
Contract assets, current	4,6(13),6(14)	517,367	367,258	Accounts payable		822,488	695,160
Notes receivable, net	6(14)	4,440	1,558	Accounts payable - related parties	7	258,432	114,097
Accounts receivable, net	4,6(4),6(14)	682,192	766,844	Payables on equipment		3,565	1,607
Accounts receivable from related parties, net	4,6(4),6(14),7	170,925	114,694	Other payables	6(10)	567,625	561,437
Other receivables, net		52,019	45,640	Current tax liabilities	4,5,6(19)	75,555	63,974
Inventories, net	4,6(5)	634,554	596,017	Lease liabilities-current	4,6(15),12	33,898	-
Other current assets	7	163,182	88,653	Other current liabilities		14,518	29,491
Total current assets		5,022,750	4,393,723	Total current liabilities		2,079,109	1,766,178
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Financial assets at fair value through profit or loss, noncurrent	4,6(2)	-	29,265	Deferred tax liabilities	4,5,6(19)	5,460	2,390
Financial assets at fair value through other comprehensive income, noncurrent	6,(3)	1,135,270	967,922	Lease liabilities-noncurrent	4,6(15),12	231,443	-
Financial assets measured at amortized cost, noncurrent	8	31,766	16,772	Long-term payables	6(10)	96,901	211,859
Investments accounted for using equity method	4,6(6)	81,183	85,490	Long-term deferred revenue		4,756	7,031
Property, plant and equipment	4,6(7)	576,808	575,858	Defined benefit liabilities, non-current	4,5,6(11)	21,619	15,900
Right-of-use assets	4,6(15)	254,498	-	Total non-current liabilities		360,179	237,180
Intangible assets	4,6(8),7	550,567	691,470	Total liabilities		2,439,288	2,003,358
Deferred tax assets	4,5,6(19)	41,764	47,344	<b>Equity attributable to the parent company</b>			
Refundable deposits		7,422	6,875	Capital	6(12)		
Total non-current assets		2,679,278	2,420,996	Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(12)	724,895	626,596
				Retained earnings	6(12)		
				Legal reserve		1,473,678	1,596,485
				Special reserve		512,210	860
				Unappropriated earnings		377,139	599,145
				Other components of equity		(369,709)	(512,210)
				Equity attributable to the parent company	6(12)	5,203,716	4,796,379
				<b>Non-controlling interests</b>	6(12)	59,024	14,982
				Total equity		5,262,740	4,811,361
<b>Total assets</b>		<u>\$ 7,702,028</u>	<u>\$ 6,814,719</u>	<b>Total liabilities and equity</b>		<u>\$ 7,702,028</u>	<u>\$ 6,814,719</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31,	
		2019	2018
Net sales	4,6(13),7	\$ 5,306,351	\$ 4,904,658
Operating costs	6(5),6(16),7	(2,506,809)	(2,299,781)
Gross profit		<u>2,799,542</u>	<u>2,604,877</u>
Operating expenses	6(8),6(16),7		
Selling expenses		(246,265)	(227,276)
Administrative expenses		(299,418)	(289,973)
Research and development expenses		(1,903,489)	(1,730,826)
Expected credit gains (loss)	6(14)	47,930	(73,794)
Total operating expenses		<u>(2,401,242)</u>	<u>(2,321,869)</u>
Operating income		<u>398,300</u>	<u>283,008</u>
Non-operating income and expenses			
Other income	6(17)	74,201	54,730
Other gains and losses	6(3),6(17)	(44,450)	(11,243)
Finance costs	6(17)	(7,550)	-
Share of profit or loss of associates and joint ventures accounted for using equity method	6(6)	(3,646)	(10,486)
Total non-operating income and expenses		<u>18,555</u>	<u>33,001</u>
Income from continuing operations before income tax		416,855	316,009
Income tax expense	4,5,6(19)	(80,610)	(54,858)
Net income from continuing operations		<u>336,245</u>	<u>261,151</u>
Other comprehensive income	4,5,6(18)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(4,146)	(386)
Unrealized gain from equity investment measured at fair value through other comprehensive income		195,900	(179,689)
Income tax relating to items that will not be reclassified to profit or loss		829	462
Item that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of a foreign operation		(32,424)	13,694
Share of the other comprehensive income of associates and joint ventures accounted for using equity method		(661)	961
Other comprehensive income (net of income tax)		<u>159,498</u>	<u>(164,958)</u>
Total comprehensive income		<u>\$ 495,743</u>	<u>\$ 96,193</u>
Net income attributable to:			
Stockholders of the parent	6(20)	\$ 347,877	\$ 263,228
Non-controlling interests	6(12)	(11,632)	(2,077)
		<u>\$ 336,245</u>	<u>\$ 261,151</u>
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$ 507,878	\$ 98,270
Non-controlling interests		(12,135)	(2,077)
		<u>\$ 495,743</u>	<u>\$ 96,193</u>
Earnings per share (NTD)	6(20)		
Earnings per share-basic		<u>\$ 1.40</u>	<u>\$ 1.06</u>
Earnings per share-diluted		<u>\$ 1.40</u>	<u>\$ 1.05</u>

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

## FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company									Non-Controlling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings						
Balance as of January 1, 2018	\$ 2,485,503	\$ 598,879	\$ 1,512,894	\$ -	\$ 933,774	\$ (67,610)	\$ -	\$ 66,750	\$ 5,530,190	\$ -	5,530,190
Impact of retrospective application and restatement	-	-	-	-	134,275	-	(256,237)	(66,750)	(188,712)	-	(188,712)
Restated balance as of January 1, 2018	2,485,503	598,879	1,512,894	-	1,068,049	(67,610)	(256,237)	-	5,341,478	-	5,341,478
Appropriation and distribution of 2017 retained earnings											
Legal reserve	-	-	83,591	-	(83,591)	-	-	-	-	-	-
Special reserve	-	-	-	860	(860)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(671,086)	-	-	-	(671,086)	-	(671,086)
Net income in 2018	-	-	-	-	263,228	-	-	-	263,228	(2,077)	261,151
Other comprehensive income (loss) in 2018	-	-	-	-	76	14,655	(179,689)	-	(164,958)	-	(164,958)
Total comprehensive income (loss) in 2018	-	-	-	-	263,304	14,655	(179,689)	-	98,270	(2,077)	96,193
Change in subsidiaries' ownership	-	27,717	-	-	-	-	-	-	27,717	-	27,717
Non-controlling interests	-	-	-	-	-	-	-	-	-	17,059	17,059
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	23,329	-	(23,329)	-	-	-	-
Balance as of December 31, 2018	<u>\$ 2,485,503</u>	<u>\$ 626,596</u>	<u>\$ 1,596,485</u>	<u>\$ 860</u>	<u>\$ 599,145</u>	<u>\$ (52,955)</u>	<u>\$ (459,255)</u>	<u>\$ -</u>	<u>\$ 4,796,379</u>	<u>\$ 14,982</u>	<u>\$ 4,811,361</u>
Balance as of January 1, 2019	\$ 2,485,503	\$ 626,596	\$ 1,596,485	\$ 860	\$ 599,145	\$ (52,955)	\$ (459,255)	\$ -	\$ 4,796,379	\$ 14,982	\$ 4,811,361
Appropriation and distribution of 2018 retained earnings											
Legal reserve	-	-	26,323	-	(26,323)	-	-	-	-	-	-
Special reserve	-	-	-	511,350	(511,350)	-	-	-	-	-	-
Cash dividends	-	-	(149,130)	-	(49,710)	-	-	-	(198,840)	-	(198,840)
Net income in 2019	-	-	-	-	347,877	-	-	-	347,877	(11,632)	336,245
Other comprehensive income (loss) in 2019	-	-	-	-	(3,317)	(32,582)	195,900	-	160,001	(503)	159,498
Total comprehensive income (loss) in 2019	-	-	-	-	344,560	(32,582)	195,900	-	507,878	(12,135)	495,743
Change in subsidiaries' ownership	-	98,299	-	-	-	-	-	-	98,299	56,177	154,476
Disposal of equity instrument measured at fair value through other comprehensive income	-	-	-	-	20,817	-	(20,817)	-	-	-	-
Balance as of December 31, 2019	<u>\$ 2,485,503</u>	<u>\$ 724,895</u>	<u>\$ 1,473,678</u>	<u>\$ 512,210</u>	<u>\$ 377,139</u>	<u>\$ (85,537)</u>	<u>\$ (284,172)</u>	<u>\$ -</u>	<u>\$ 5,203,716</u>	<u>\$ 59,024</u>	<u>\$ 5,262,740</u>

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2019	2018		2019	2018
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net income before tax	\$ 416,855	\$ 316,009	Acquisition of financial asset measured at fair value through other comprehensive income	\$ -	\$ (30,000)
Adjustments for non-cash gain or loss:			Disposal of financial asset measured at fair value through other comprehensive income	28,552	31,064
Depreciation	95,102	49,615	Acquisition of financial assets measured at amortized cost	(14,994)	-
Amortization	342,926	367,891	Acquisition of financial asset measured at fair value through profit or loss	-	(58,465)
Expected credit (gain) loss	(47,930)	73,794	Disposal of financial asset measured at fair value through profit or loss	-	36,923
Loss (gain) on financial assets and liabilities at fair value through profit or loss	32,774	8,877	Proceeds from disposal of subsidiary	-	454
Interest expense	7,550	-	Acquisition of property, plant and equipment	(61,849)	(90,971)
Interest income	(14,323)	(12,143)	Refundable deposits	(547)	(322)
Share-based payment expenses	4,012	7,744	Acquisition of intangible assets	(303,363)	(342,199)
Share of loss of associates and joint ventures accounted for using equity method	3,646	10,486	Other investing activities	-	(76)
Loss on disposal of investments	-	7,251	Net cash used in investing activities	(352,201)	(453,592)
Others	1,791	(18,779)			
Changes in operating assets and liabilities:			<b>Cash flows form financing activities:</b>		
Contract assets	(150,109)	(367,258)	Cash payments for the principal portion of the lease liability	(28,661)	-
Notes receivable	(2,882)	3,512	Cash dividends paid	(198,840)	(671,086)
Accounts receivable	132,582	(233,878)	Change in non-controlling interests (increase in subsidiary's capital by cash)	150,464	37,032
Accounts receivable from related parties	(56,231)	(25,979)	Net cash used in financing activities	(77,037)	(634,054)
Other receivables	(5,746)	21,698	Effect of exchange rate changes on cash and cash equivalents	(35,849)	13,646
Inventories	(38,537)	(161,854)			
Other current assets	(71,679)	13,401	Net increase (decrease) in cash and cash equivalents	388,521	(772,188)
Contract liabilities	2,616	239,606	Cash and cash equivalents at beginning of period	2,387,534	3,159,722
Notes payables	-	(96)	Cash and cash equivalents at end of period	\$ 2,776,055	\$ 2,387,534
Accounts payable	127,328	236,355			
Accounts payable - related parties	144,335	29,876			
Other payables	1,963	(135,125)			
Other current liabilities	(14,973)	(7,545)			
Defined benefit liabilities	2,402	(2,862)			
Other Operating liabilities	(2,275)	-			
Cash generated from operations	911,197	420,596			
Interest received	13,690	12,541			
Interest paid	(7,550)	-			
Income tax paid	(63,729)	(131,325)			
Net cash provided by operating activities	\$ 853,608	\$ 301,812			

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

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

## **1. History and Organization**

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company's shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

## **2. Date and Procedures of Authorization of Financial Statements for Issue**

The consolidated financial statements of the Company and its subsidiaries (the "Group") for the years ended December 31, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 13, 2020.

## **3. Newly Issued or Revised Standards and Interpretations**

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

### **A. IFRS 16 "Leases"**

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

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- a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- b. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.
- c. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset increased by NT\$289,497 thousand, lease liability-current increased by NT\$28,505 thousand, lease liability-non-current by NT\$266,109 thousand, other current assets decreased by NT\$500 thousand and other payables decreased by NT\$5,617 thousand.

In accordance with the transition provision in IFRS 16, the Group's used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

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- i. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - ii. Relied on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
  - iii. Elected to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
  - iv. Excluded initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
  - v. Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- (b) Please refer to Note 4, Note 5 and Note 6(15) for additional disclosure of lessee and lessor which required by IFRS 16.
- (c) As of January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- i. The weighted-average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 2.899%.
  - ii. The explanation for the difference of NT\$216,292 thousand between: 1) operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as of January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as of December 31, 2018	<u><u>\$101,276</u></u>
Discounted using the incremental borrowing rate on January 1, 2019	\$78,322
Add: the carrying value of lease payables as of December 31, 2018	5,617
Less: prepaid rent as of December 31, 2018	(500)
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(429)
Add/(less): adjustments to the options to extend the lease that is reasonably certain to exercise	<u>211,604</u>
The carrying value of lease liabilities recognized as of January 1, 2019	<u><u>\$294,614</u></u>

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- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

a. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

b. Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

c. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

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The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(1) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The above-mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The above-mentioned standards and interpretations have no material impact on the Group.

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- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

- (a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

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(b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Group.

#### **4. Summary of Significant Accounting Policies**

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(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (“TIFRS”).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

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

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Company voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
The Company	Faraday Technology Corporation (USA)	Sales representative in America	100.00%	100.00%
The Company	Faraday Technology Japan Corporation	Sales representative in Japan	99.95%	99.95%
The Company	Faraday Technology – B.V. (Note 1)	Sales representative in Europe	-	-
The Company	Faraday Technology – B.V.I. (B.V.I.)	Trading and general investing	100.00%	100.00%
The Company	Faraday Technology Vietnam Company Limited (Note 2)	IC designing service	100.00%	-
The Company	Chih-Hung Investment Corporation (Chih-Hung)	General investing	100.00%	100.00%
The Company	Sheng Bang Investment Corporation (Sheng Bang)	General investing	100.00%	100.00%
Chih-Hung	Grain Media Inc.	IC designing, marketing and customer IC designing	19.42%	19.42%

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Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of	
			December 31, 2019	December 31, 2018
Chih-Hung	Innopower Technology Corporation (Innopower)	Silicon Intellectual Property designing	100.00%	100.00%
Chih-Hung	FaradayTek Solutions India Private Limited (Note 3)	IC designing service	1.00%	-
Sheng Bang	Grain Media Inc.	IC designing, marketing and customer service	80.58%	80.58%
Sheng Bang	FaradayTek Solutions India Private Limited (Note 4)	IC designing service	99.00%	-
Innopower	Bright Capital Group Limited (BCGL)	General investing	100.00%	100.00%
BCGL	Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation – Mauritius (Mauritius)	General investing	100.00%	100.00%
B.V.I.	GrainTech Electronics Limited	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation (Samoa)	General investing	100.00%	100.00%
B.V.I.	Artery Technology Corporation(Cayman) (Note 5)	General investing	67.20%	81.13%
Samoa	United Business Service Corporation	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Faraday Technology China Corporation	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Grain Media Technology (Shenzhen) Co., Ltd.(Note 6)	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Company(Note 7)	IC designing, marketing and customer service	100.00%	-
United Business Service Corporation	United Creative Solution Corporation (Note 8)	IC designing, marketing and customer service	100.00%	-
United Business Service Corporation	Innopower Technology Corporation (Chongqing) (Note 9)	IC designing, marketing and customer service	100.00%	-

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We did not audit the financial statements of certain subsidiaries, whose statements reflected total assets of NT\$580,370 thousand and NT\$578,153 thousand as of December 31, 2019 and December 31, 2018, respectively, and total operating revenues of NT\$1,134,139 thousand and NT\$1,066,065 thousand for the years ended December 31, 2019 and 2018, respectively, and total comprehensive income of NT\$25,822 thousand and NT\$42,704 thousand for the years ended December 31, 2019 and 2018, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us and our opinions expressed herein are based solely on the audit reports of the other auditors.

Notes:

- (1) Faraday Technology – B.V. has been liquidated and capital was remitted during the year ended December 31, 2018.
  - (2) Faraday Technology invested in the establishment of Faraday Technology Vietnam Company Limited in May 2019.
  - (3) Chih-Hung Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited in April 2019.
  - (4) Sheng Bang Investment Corporation invested in the establishment of FaradayTek Solutions India Private Limited in April 2019.
  - (5) Artery Technology Corporation (Cayman) had capital increases by cash during the years ended December 31, 2019 and 2018. The Group did not participate the capital increases and, accordingly, ownership percentage was reduced to 67.20% and 81.13%, respectively.
  - (6) Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation in February 2018. The liquidation procedures is still in progress as of the report date.
  - (7) Artery Technology Corporation (Cayman) invested in Artery Technology Company in July 2019 and acquired 100% ownership.
  - (8) United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.
  - (9) United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.
- (4) Foreign currency transactions

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

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Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

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- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (1) the Group's business model for managing the financial assets and
- (2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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- (3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

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The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

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Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

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

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

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

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

Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

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

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for using equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

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- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 "*Impairment of Assets*" .

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

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

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

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(14) Leases

**The accounting policy from January 1, 2019 is as follows:**

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

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At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (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.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

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**The accounting policy before January 1, 2019 is as follows:**

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

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A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	2~3years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

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An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Group outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Group is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Group's sale of goods is from 30 to 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Group has the obligation to transfer the goods subsequently. Accordingly, the Group recognized the consideration received in advance from customers under contract liabilities.

Rendering of services

The Group provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

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Most of the contractual considerations of the Group are collected throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. The Group measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Group's intellectual property as it exist throughout the license period, the Group uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Group's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Group recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services to access or use the Group's intellectual property subsequently. Accordingly, the Group recognizes payments received in advance as contract liabilities.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

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

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

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

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

(20) Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

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Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

## **5. Significant Accounting Judgments, Estimates and Assumptions**

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **A. Inventories**

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

### **B. Post-employment benefits**

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and expected rate of salary increases. Please refer to Note 6 (11) for more details.

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C. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile within the Group.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 (19) for disclosure on unrecognized deferred tax assets of the Group as of December 31, 2019.

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**6. Contents of Significant Accounts**

(1) Cash and cash equivalents

	As of	
	December 31, 2019	December 31, 2018
Cash		
Cash on hand	\$420	\$362
Checking and savings	1,368,841	914,894
Time deposits	1,346,794	1,472,278
Cash equivalents-Commercial paper with repurchase	60,000	-
Total	<u>\$2,776,055</u>	<u>\$2,387,534</u>

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

	As of	
	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	\$204	\$330
Stocks	-	29,265
Funds	21,812	25,195
Total	<u>\$22,016</u>	<u>\$54,790</u>
Current	\$22,016	\$25,525
Non-Current	-	29,265
Total	<u>\$22,016</u>	<u>\$54,790</u>

Financial assets at fair value through profit or loss were not pledged.

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

	As of	
	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	\$-	\$19,031
Unlisted companies stocks	1,135,270	948,891
Total	<u>\$1,135,270</u>	<u>\$967,922</u>

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividends income in the amount of NT\$7,717 thousand for the year ended December 31, 2018, which were all related to investments held at the end of the reporting period.

In consideration of the Group's investment strategy, the Group disposed the listed stock of Andes Technology Corporation during the years ended December 31, 2019 and 2018, which were reported under equity instrument investments measured at fair value through other comprehensive income. Upon derecognition, the fair value of the investments was NT\$28,552 thousand and NT\$55,929 thousand, respectively, and the cumulative disposal gain of NT\$20,817 thousand and NT\$23,329 thousand, respectively, was reclassified from other components of equity to retained earnings.

(4) Accounts receivable, net and accounts receivable from related parties, net

	As of	
	December 31, 2019	December 31, 2018
Accounts receivable	\$763,625	\$905,346
Subtotal (gross carrying amount)	763,625	905,346
Less : Allowance for doubtful accounts	(81,433)	(138,502)
Subtotal	682,192	766,844
Accounts receivable from related parties, net	170,925	114,694
Subtotal (gross carrying amount)	170,925	114,694
Total	<u>\$853,117</u>	<u>\$881,538</u>

Accounts receivable were not pledged.

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Accounts receivable are generally on 30- 60 day terms from the date of monthly closing. The Company's carrying amount of accounts receivable was amounted to NT\$934,550 thousand, and NT\$1,020,040 thousand as of December 31, 2019 and 2018, respectively. Please refer to Note 6(14) for more details on impairment of account receivable, and Note 12 for more details on credit risk.

(5) Inventories

	As of	
	December 31, 2019	December 31, 2018
Work in process	\$163,460	\$153,158
Finished goods	471,094	442,859
Total	<u>\$634,554</u>	<u>\$596,017</u>

The cost of inventories recognized in expenses amounted to NT\$2,506,809 thousand and NT\$2,299,781 thousand for the years ended December 31, 2019 and 2018, respectively, including the loss of NT\$8,952 thousand and loss on scrap of inventories of NT\$7,564 thousand, and gain of NT\$7,167 thousand and loss on scrap of inventories of NT\$18,930 thousand for the years ended December 31, 2019 and 2018, respectively. The gain from reversal of allowance for decline in market value and obsolescence was recognized due to the sales of the Company's previously written-down inventories during the year of 2018.

No inventories were pledged.

(6) Investments accounted for using equity method

Investee company	As of			
	December 31, 2019		December 31, 2018	
	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Associate :				
Fresco Logic Inc.	<u>\$81,183</u>	22.61%	<u>\$85,490</u>	22.61%

The Group's investment in Fresco Logic Inc. was not individually material. The aggregate carrying amount of the Group's interest in Fresco Logic Inc. is NT\$81,183 thousand and NT\$85,490 thousand as of December 31, 2019 and 2018, respectively, based on the audit reports of the other auditors. The aggregated financial information based on Group's share of Fresco Logic Inc. is as follows:

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	<u>For the year ended</u> <u>December 31, 2019</u>	<u>For the year ended</u> <u>December 31, 2018</u>
Net loss from continuing operations	\$(3,646)	\$(10,486)
Other comprehensive income (post-tax)	(115)	-
Total comprehensive income	<u>\$(3,761)</u>	<u>\$(10,486)</u>

There were no contingent liabilities or capital commitments for the above-mentioned associate, and the investment was not pledged as of December 31, 2019 and 2018.

(7) Property, plant and equipment

	<u>As of</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment for own use	<u>\$576,808</u>	(Note)

Note: The Group adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Property, plant and equipment for own-use (after the application of IFRS 16)

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Total
<u>Cost:</u>							
As of January 1, 2019	\$33,576	\$603,753	\$41,243	\$143,208	\$25,134	\$857	\$847,771
Additions	-	595	3,768	57,350	1,314	780	63,807
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(382)	-	(319)	(649)	(22)	(1,372)
As of December 31, 2019	<u>\$33,576</u>	<u>\$577,055</u>	<u>\$40,858</u>	<u>\$177,244</u>	<u>\$24,179</u>	<u>\$1,615</u>	<u>\$854,527</u>
<u>Depreciation and impairment:</u>							
As of January 1, 2019	\$-	\$183,215	\$11,401	\$59,341	\$17,353	\$603	\$271,913
Additions	-	14,622	6,939	38,009	2,695	120	62,385
Disposals	-	(26,911)	(4,153)	(22,995)	(1,620)	-	(55,679)
Exchange effect	-	(151)	-	(262)	(471)	(16)	(900)
As of December 31, 2019	<u>\$-</u>	<u>\$170,775</u>	<u>\$14,187</u>	<u>\$74,093</u>	<u>\$17,957</u>	<u>\$707</u>	<u>\$277,719</u>
Net carrying amount as of:							
As of December 31, 2019	<u>\$33,576</u>	<u>\$406,280</u>	<u>\$26,671</u>	<u>\$103,151</u>	<u>\$6,222</u>	<u>\$908</u>	<u>\$576,808</u>

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

	Land	Buildings and facilities	Machinery	Computer equipment	Office furniture and fixtures	Miscellaneous equipment	Construction in process	Total
<u>Cost:</u>								
As of January 1, 2018	\$33,576	\$592,818	\$21,452	\$114,118	\$23,549	\$868	\$9,092	\$795,473
Additions	-	760	23,055	63,225	3,452	57	1,612	92,161
Disposals	-	(480)	(3,264)	(34,194)	(1,787)	(95)	-	(39,820)
Transfers	-	10,754	-	-	-	-	(10,754)	-
Disposal of subsidiary	-	-	-	(114)	(144)	-	-	(258)
Exchange effect	-	(99)	-	173	64	27	50	215
As of December 31, 2018	<u>\$33,576</u>	<u>\$603,753</u>	<u>\$41,243</u>	<u>\$143,208</u>	<u>\$25,134</u>	<u>\$857</u>	<u>\$-</u>	<u>\$847,771</u>
<u>Depreciation and impairment:</u>								
As of January 1, 2018	\$-	\$167,749	\$9,955	\$67,587	\$16,040	\$571	\$-	\$261,902
Additions	-	15,786	4,710	25,858	3,153	108	-	49,615
Disposals	-	(480)	(3,264)	(34,194)	(1,787)	(95)	-	(39,820)
Disposal of subsidiary	-	-	-	(106)	(144)	-	-	(250)
Exchange effect	-	160	-	196	91	19	-	466
As of December 31, 2018	<u>\$-</u>	<u>\$183,215</u>	<u>\$11,401</u>	<u>\$59,341</u>	<u>\$17,353</u>	<u>\$603</u>	<u>\$-</u>	<u>\$271,913</u>
<u>Net carrying amount as of:</u>								
As of December 31, 2018	<u>\$33,576</u>	<u>\$420,538</u>	<u>\$29,842</u>	<u>\$83,867</u>	<u>\$7,781</u>	<u>\$254</u>	<u>\$-</u>	<u>\$575,858</u>

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

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(8) Intangible assets

	Software	
	For the year ended December 31, 2019	For the year ended December 31, 2018
<u>Cost</u>		
Beginning balance	\$1,065,829	\$1,193,296
Addition – acquired separately	198,247	632,537
Decrease – derecognition	(122,511)	(753,439)
Exchange differences	1,784	(6,565)
Ending balance	<u>\$1,143,349</u>	<u>\$1,065,829</u>
 <u>Accumulated Amortization</u>		
Beginning balance	\$374,359	\$758,480
Amortization	342,926	367,891
Decrease – derecognition	(122,511)	(753,439)
Exchange differences	(1,992)	1,427
Ending balance	<u>\$592,782</u>	<u>\$374,359</u>
 Net carrying amount as of:		
December 31, 2019	<u>\$550,567</u>	
December 31, 2018		<u>\$691,470</u>

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Administrative expenses	\$95	\$93
Research and development expenses	342,831	367,798
Total	<u>\$342,926</u>	<u>\$367,891</u>

(9) Short-term loans

The Group's credit limit from short-term loans was NT\$1,350,750 thousand and NT\$907,200 thousand as of December 31, 2019 and 2018, respectively, and all of which was unused.

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(10) Long-term payables

The payables were primarily attributable to several agreements which the Group entered into for certain software license. As of December 31, 2019 and 2018, payments for future years are as follows :

Year of payment	As of	
	December 31, 2019	December 31, 2018
2019	\$-	\$145,704
2020	111,886	143,968
2021	70,687	67,891
2022	26,214	-
Subtotal	208,787	357,563
Less: Current portion (recognized as other payables)	(111,886)	(145,704)
Total	<u>\$96,901</u>	<u>\$211,859</u>

(11) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China would contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$48,525 thousand and NT\$41,847 thousand, respectively.

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Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$4,034 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The average duration of the defined benefits plan obligation as of December 31, 2019 and 2018, are 14 years and 15 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Current period service costs	\$5,654	\$310
Net interest expense	58	235
Total	<u>\$5,712</u>	<u>\$545</u>

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Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Defined benefit obligation	\$143,847	\$128,922	\$123,734
Plan assets at fair value	(122,228)	(113,022)	(104,896)
Non-current liabilities -Defined benefit liabilities recognized on the consolidated balance sheets	\$21,619	\$15,900	\$18,838

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2018	123,734	(104,896)	18,838
Current period service costs	310	-	310
Net interest expense (income)	1,516	(1,281)	235
Subtotal	125,560	(106,177)	19,383
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,065)	-	(1,065)
Experience adjustments	4,427	-	4,427
Remeasurements of defined benefit asset	-	(2,976)	(2,976)
Subtotal	3,362	(2,976)	386
Contributions by employer	-	(3,869)	(3,869)
As of December 31, 2018	128,922	(113,022)	15,900
Current period service costs	5,654	-	5,654
Net interest expense (income)	1,300	(1,242)	58
Subtotal	135,876	(114,264)	21,612
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	6,335	-	6,335
Experience adjustments	1,636	-	1,636
Remeasurements of defined benefit asset	-	(3,825)	(3,825)
Subtotal	7,971	(3,825)	4,146
Contributions by employer	-	(4,139)	(4,139)
As of December 31, 2019	\$143,847	\$(122,228)	\$21,619

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2019	December 31, 2018
Discount rate	0.7234%	1.0085%
Expected rate of salary increases	2.75%	2.75%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$9,724	\$-	\$8,878
Discount rate decrease by 0.5%	10,637	-	9,714	-
Expected rate of salary increase by 0.5%	10,244	-	9,381	-
Expected rate of salary decrease by 0.5%	-	9,475	-	8,671

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Capital stock

The Company's authorized capital was NT\$5,000,000 thousand, divided into 500,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options) as of December 31, 2019 and 2018, each at a par value of NT\$10. Following the resolution of the shareholders' meeting on June 12, 2012, the Company decided to increase its authorized common shares to NT\$6,000,000 thousand, divided into 600,000 thousand shares. As of December 31, 2019, related registration processes have not been completed.

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The Company's issued capital was NT\$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2019 and 2018. Each share has one voting right and a right to receive dividends.

B. Additional paid-in capital

	As of	
	December 31, 2019	December 31, 2018
Premiums in excess of par	\$594,782	\$594,782
Change in subsidiaries' ownership	126,016	27,717
Share of changes in net assets of associates and joint ventures accounted for using equity method	1,531	1,531
Employee stock option and others	2,566	2,566
Total	<u>\$724,895</u>	<u>\$626,596</u>

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Reserve for tax payments;
- b. Offset accumulated losses in previous years, if any;
- c. Legal reserve, which is 10% of leftover profits.
- d. Allocation or reverse of special reserves as required by law or government authorities;
- e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

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The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When distributing distributable earnings, the Company has to set aside special reserve, for other net deductions from shareholders' equity of the period. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1010012865 on April 6, 2012, which set out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year", provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Order had no influence on the Company.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the shareholders' meeting on June 13, 2019 and June 15, 2018, respectively, are as follows:

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	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$26,323	\$83,591	\$-	\$-
Increase in special reserve	511,350	860	-	-
Common stock-cash dividend	49,710	671,086	\$0.2	\$2.7

Legal reserve distribution to dividends per share NT\$0.6 and dividend per share NT\$0.2 were resolved by the shareholders' meeting on June 13, 2019. Total dividend per share was NT\$0.8.

Please refer to Note 6(16) for more details on employees' compensations and the remunerations to directors and supervisors.

D. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	\$14,982	\$-
Loss attributable to non-controlling interests	(11,632)	(2,077)
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	(503)	-
Change in subsidiaries' ownership	56,177	17,059
Ending balance	\$59,024	\$14,982

(13) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2019 and 2018 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Sale of goods	\$3,055,045	\$2,831,260
Rendering of services	1,856,522	1,704,466
Silicon intellectual property license	394,784	368,932
Total	\$5,306,351	\$4,904,658

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	For the years ended December 31,	
	2019	2018
Revenue recognition point:		
At a point in time	\$3,390,800	\$3,143,374
Over time	1,915,551	1,761,284
Total	<u>\$5,306,351</u>	<u>\$4,904,658</u>

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Rendering of services	<u>\$517,367</u>	<u>\$367,258</u>	<u>\$16,159</u>

The significant changes in the Group's balances of contract assets for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to accounts receivable	\$177,320	\$13,441
Change in the progress of completion	336,568	364,540
Impairment	(9,139)	-

B. Contract liabilities – current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	\$161,139	\$109,141	\$43,084
Rendering of services	141,623	191,023	17,626
Silicon intellectual property license	262	244	92
Total	<u>\$303,024</u>	<u>\$300,408</u>	<u>\$60,802</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

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	For the years ended December 31,	
	2019	2018
The opening balance transferred to revenue	\$127,861	\$58,871
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	130,477	298,477

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amounts of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license are NT\$1,188,444 thousand. The Group will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfil a contract

None.

(14) Expected credit (gain) losses

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit (gain) losses		
Contract Asset	\$9,139	\$-
Account receivables	(57,069)	73,794
Total	<u>\$(47,930)</u>	<u>\$73,794</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and account receivables) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of December 31, 2019 and 2018 are as follows:

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- i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	For the years ended December 31,	
	2019	2018
Gross carrying amount	\$526,506	\$367,258
Expected credit loss rates	0%~100%	0%
Loss allowance	(9,139)	-
Total	\$517,367	\$367,258

- ii. the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

2019.12.31

	Not yet due (note)	Overdue					Total
		91-120 days					
		<=30 days	31-60 days	61-90 days	days	>=121 days	
Gross carrying amount	\$670,597	\$90,541	\$60,573	\$35,817	\$6,894	\$74,568	\$938,990
Expected credit loss rates	-%	-%	0%~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	1,225	2,079	3,561	74,568	81,433
Subtotal	\$670,597	\$90,541	\$59,348	\$33,738	\$3,333	\$-	\$857,557

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2018.12.31

	Not yet due  (note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$540,501	\$79,242	\$139,348	\$68,868	\$96,555	\$97,084	\$1,021,598
Expected credit loss rates	-%	-%	0%~2%	0%~10%	2%~50%	10%~100%	
Lifetime expected credit losses	-	-	2,788	5,039	48,277	82,398	138,502
Subtotal	<u>\$540,501</u>	<u>\$79,242</u>	<u>\$136,560</u>	<u>\$63,829</u>	<u>\$48,278</u>	<u>\$14,686</u>	<u>\$883,096</u>

Note: All of the Group's note receivables are not yet due.

The movements in the provision for impairment of account receivables during the years ended December 31, 2019 and 2018 are as follows:

	Contract Assets	Account receivables
As of January 1, 2019	\$-	\$138,502
Increase (reversal) for the current period	9,139	(57,069)
As of December 31, 2019	<u>\$9,139</u>	<u>\$81,433</u>
As of January 1, 2018 (in accordance with IAS 39)	\$-	\$64,708
Beginning adjusted retained earnings	-	-
As of January 1, 2018 (in accordance with IFRS 9)	-	64,708
Addition for the current period	-	73,794
As of December 31, 2018	<u>\$-</u>	<u>\$138,502</u>

(15) leases

A. The Group as lessee (applicable to IFRS 16)

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The Group leases various properties, including real estate (land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follows:

a. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2019	December 31, 2018
Land	\$196,848	(Note)
Buildings and facilities	55,669	
Transportation equipment	1,749	
Office equipment	232	
Total	<u>\$254,498</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Lease liability

	As of	
	December 31, 2019	December 31, 2018
Lease liability	<u>\$265,341</u>	(Note)
Lease liability-current	\$33,898	
Lease liability-noncurrent	231,443	
Total	<u>\$265,341</u>	

Please refer to Note 6 (17) for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12 (5) for the maturity analysis for lease liabilities.

Note: The Group adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2019	2018
Land	\$5,320	(Note)
Buildings and facilities	26,120	
Transportation equipment	1,166	
Office equipment	111	
Total	<u>\$32,717</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

c. Income and costs relating to leasing activities

	For the years ended December 31	
	2019	2018 (Note)
The expense relating to short-term leases	<u>\$1,644</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

d. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflow for leases amounted to NT\$36,123 thousand.

e. Other information relating to leasing activities

Extension option

Some of the Group's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the

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Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

B. Operating lease commitments - The Group as lessee (applicable to IAS 17)

The Group has entered into commercial leases on land and office. Future minimum rentals payable as of December 31, 2018 is as follows:

	As of December 31, 2018
Not later than one year	\$34,192
Later than one year and not later than five years	64,236
Later than five years	2,848
<b>Total</b>	<b>\$101,276</b>

Operating lease expenses recognized is as follows:

	For the year ended December 31, 2018
Minimum lease payment	\$34,253

(16) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018:

	For the years ended December 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$51,981	\$1,397,734	\$1,449,715	\$42,141	\$1,209,909	\$1,252,050
Labor and health insurance	4,525	107,851	112,376	3,037	98,463	101,500
Pension	2,335	51,902	54,237	1,880	40,512	42,392
Others	1,027	22,752	23,779	973	22,077	23,050
Depreciation	994	94,108	95,102	638	48,977	49,615
Amortization	3,174	339,752	342,926	-	367,891	367,891

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According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$51,662 thousand and NT\$216 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$51,662 thousand and NT\$216 thousand for the year ended December 31, 2019.

Actual employees' compensation and remuneration to directors for the year ended December 31, 2018 was NT\$39,345 thousand and NT\$250 thousand respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2018.

(17) Non-operating income and expenses

A. Other income

	For the years ended	
	December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$14,323	\$12,143
Dividend income	-	7,717
Others	59,878	34,870
Total	<u>\$74,201</u>	<u>\$54,730</u>

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B. Other gains and losses

	For the years ended	
	December 31,	
	2019	2018
Losses on disposal of investments	\$-	\$(7,251)
Foreign exchange gains	1,985	16,341
Losses on financial assets at fair value through profit or loss	(32,774)	(9,292)
Others	(13,661)	(11,041)
Total	<u>\$(44,450)</u>	<u>\$(11,243)</u>

C. Finance costs

	For the years ended	
	December 31,	
	2019	2018
Interest expense on lease liabilities	\$7,462	(Note)
Others	88	
Total	<u>\$7,550</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(18) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$ (4,146)	\$ -	\$ (4,146)	\$ 829	\$ (3,317)
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	195,900	-	195,900	-	195,900
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(32,424)	-	(32,424)	-	(32,424)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(661)	-	(661)	-	(661)
Total of other comprehensive income	<u>\$158,669</u>	<u>\$-</u>	<u>\$158,669</u>	<u>\$829</u>	<u>\$159,498</u>

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For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$ (386)	\$ -	\$ (386)	\$ 462	\$ 76
Unrealized gains or losses from valuation on equity instruments measured at fair value through other comprehensive income	(179,689)	-	(179,689)	-	(179,689)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	13,694	-	13,694	-	13,694
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	961	-	961	-	961
Total of other comprehensive income	<u>\$ (165,420)</u>	<u>\$ -</u>	<u>\$ (165,420)</u>	<u>\$ 462</u>	<u>\$ (164,958)</u>

(19) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, starting from the year ended December 31, 2018, the Company's applicable corporate income tax rate changed from 17% to 20%. The corporate income surtax on undistributed retained earnings changed from 10% to 5%.

The major components of income tax expense are as follows:

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Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2019	2018
Current income tax expense:		
Current income tax payable	\$74,353	\$89,732
Adjustments in respect of current income tax of prior periods	(4,595)	(15,460)
Deferred tax expense (income):		
Deferred income tax income related to origination and reversal of temporary differences	9,479	(12,377)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(4,773)
Others	1,373	(2,264)
Total income tax expense	<u>\$80,610</u>	<u>\$54,858</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2019	2018
Deferred tax (income) expense:		
Remeasurements of defined benefit plans	<u>\$(829)</u>	<u>\$(462)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2019	2018
Accounting profit before tax from continuing operations	<u>\$416,855</u>	<u>\$316,009</u>
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	\$108,625	\$91,756
Tax effect of revenues exempted from taxation	(2,326)	(7,215)
Tax effect of deferred tax assets/liabilities	(15,096)	(29,608)
10% surtax on undistributed retained earnings	-	9,017
Adjustments in respect of current income tax of prior periods	(4,595)	(15,460)
Deferred tax income relating to changes in tax rate or the imposition of new taxes	-	(4,773)
Tax effect of withholding tax under other tax jurisdiction	10,109	11,591
Tax credits	(14,053)	-
Others	(2,054)	(450)
Total income tax expense recognized in profit or loss	<u>\$80,610</u>	<u>\$54,858</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2019
Temporary differences					
Unrealized exchange loss	\$683	\$2,149	\$-	\$-	\$2,832
Unrealized exchange gain	(2,324)	(3,095)	-	-	(5,419)
Unrealized loss from sales	100	22	-	-	122
Unrealized allowance for inventory valuation and obsolescence losses	9,093	737	-	-	9,830
Revaluations of financial assets (liabilities) at fair value through profit or loss	(66)	25	-	-	(41)
Defined benefit liabilities, non- current	3,180	315	829	-	4,324
Unrealized bad debt expense	25,705	(11,188)	-	-	14,517
Depreciation difference for tax purposes	625	267	-	-	892
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	5	1,289	-	-	1,294
Deferred tax expense		<u>\$(9,479)</u>	<u>\$829</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$44,954</u>				<u>\$36,304</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$47,344</u>				<u>\$41,764</u>
Deferred tax liabilities	<u>\$(2,390)</u>				<u>\$(5,460)</u>

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For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2018
Temporary differences					
Unrealized exchange loss	\$1,568	\$(885)	\$-	\$-	\$683
Unrealized exchange gain	(448)	(1,876)	-	-	(2,324)
Unrealized loss from sales	-	100	-	-	100
Unrealized allowance for inventory valuation and obsolescence losses	8,947	146	-	-	9,093
Revaluations of financial assets (liabilities) at fair value through profit or loss	(827)	761	-	-	(66)
Defined benefit liabilities , non- current	3,202	(484)	462	-	3,180
Accrued employee benefits	(351)	351	-	-	-
Unrealized bad debt expense	9,621	16,084	-	-	25,705
Depreciation difference for tax purposes	1,316	(691)	-	-	625
Impairment loss on financial assets	4,983	2,970	-	-	7,953
Others	(669)	674	-	-	5
Deferred tax expense		<u>\$17,150</u>	<u>\$462</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$27,342</u>				<u>\$44,954</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$29,637</u>				<u>\$47,344</u>
Deferred tax liabilities	<u>\$(2,295)</u>				<u>\$(2,390)</u>

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The following table contains information of the unused tax losses of the Group:

Year	Accumulated loss	Unutilized accumulated loss as of		Expiration Year
		December 31, 2019	December 31, 2018	
2009	\$47,935	\$27,238	\$27,238	2019
2010	3,140	1,558	1,558	2020
2011	50,902	36,236	36,236	2021
2012	5,752	5,752	5,752	2022
2013	8,763	8,763	8,763	2023
2015	66,089	66,089	66,089	2025
2016	11,777	11,537	11,537	2026
2017	19,544	19,544	19,544	2027
2018	14,435	14,435	-	2028
		<u>\$191,152</u>	<u>\$176,717</u>	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018 deferred tax assets that were not recognized amounted to NT\$207,787 thousand and NT\$212,441 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT\$53,702 thousand and NT\$32,808 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017
Chih Hung Investment Co.	Assessed and approved up to 2017
Sheng Bang Investment Co.	Assessed and approved up to 2017
Grain Media Inc.	Assessed and approved up to 2017
Innopower Technology Corporation	Assessed and approved up to 2017
Artery Technology Company	Assessed and approved up to 2017

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(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
(a) Basic earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$347,877</u>	<u>\$263,228</u>
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,550</u>	<u>248,550</u>
Basic earnings per share (NT\$)	<u>\$1.40</u>	<u>\$1.06</u>
(b) Diluted earnings per share		
Net income from continuing operations attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$347,877</u>	<u>\$263,228</u>
Weighted-average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	<u>493</u>	<u>1,473</u>
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	<u>249,043</u>	<u>250,023</u>
Diluted earnings per share (NT\$)	<u>\$1.40</u>	<u>\$1.05</u>

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(21) Deconsolidation of subsidiary

Faraday Technology Corporation—B.V. filed for liquidation through the decision at their shareholders' meeting in 2018. The Group received the capital remittance in the year ended December 31, 2018, and derecognized the related assets and liabilities of the entity.

- (1) The amount of assets and liabilities of Faraday Technology Corporation—B.V. over which the Company lost control are as follow :

	<u>As of September 30, 2018</u>
Assets:	
Cash and cash equivalents	\$22,896
Account receivables-related parties	350
Other receivables	46
Other current assets	257
Property, plant and equipment	8
Total	<u>23,557</u>
Liabilities	<u>-</u>
Net assets of the subsidiary deconsolidated	<u>\$23,557</u>

- (2) Consideration received and gain recognized from the transaction :

	<u>For the year ended December 31, 2018</u>
Cash received	\$23,350
Net assets of the subsidiary deconsolidated	(23,557)
Effect of exchange rate change	<u>(7,044)</u>
Loss on disposal	<u>\$(7,251)</u>

Loss on disposal was included in other gains and losses in statements of comprehensive income for the year ended December 31, 2018.

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(3) Analysis of net cash flow arising from deconsolidation of the subsidiary :

	For the year ended December 31, 2018
Cash received	<u>\$23,350</u>
Net cash of subsidiary derecognized	<u>(22,896)</u>
Net cash flow from deconsolidation	<u><u>\$454</u></u>

**7. Related Party Transactions**

Information of the related parties that had transactions with the Group during the financial reporting years is as follows:

<u>Name and nature of relationship of the related parties</u>	
<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc.	Associates
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties

(1) Sales

	For the years ended December 31	
	<u>2019</u>	<u>2018</u>
United Microelectronics Corporation	\$589,636	\$444,113
Associates	54,925	79,375
Other related parties	<u>30,381</u>	<u>34,002</u>
Total	<u><u>\$674,942</u></u>	<u><u>\$557,490</u></u>

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The Group's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended	
	December 31	
	2019	2018
United Microelectronics Corporation	\$1,049,653	\$843,269
HeJian Technology (Suzhou) Co., Ltd.,	563,659	292,238
Other related parties	112,281	121,782
Total	<u>\$1,725,593</u>	<u>\$1,257,289</u>

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Research expense

	For the years ended	
	December 31	
	2019	2018
United Microelectronics Corporation	<u>\$22,391</u>	<u>\$-</u>

(4) Accounts receivable from related parties, net

	As of	
	December 31,	December 31,
	2019	2018
United Microelectronics Corporation	\$158,865	\$93,292
Fresco Logic Inc.	12,060	21,402
Total	<u>\$170,925</u>	<u>\$114,694</u>

(5) Other current assets

	As of	
	December 31,	December 31,
	2019	2018
Entity with joint control or significant influence over the Company	\$166	\$-
Other related parties	304	314
Total	<u>\$470</u>	<u>\$314</u>

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(6) Intangible assets

	For the years ended	
	December 31	
	2019	2018
Entity with joint control or significant influence over the Company	\$1,186	\$-

(7) Accounts payable to related parties, net

	As of	
	December 31,	December 31,
	2019	2018
United Microelectronics Corporation	\$86,381	\$69,177
HeJian Technology (Suzhou) Co., Ltd.,	122,277	38,484
United Semiconductor (Xiamen) Co., Ltd.	49,569	3,702
Other related parties	205	2,734
<b>Total</b>	<b>\$258,432</b>	<b>\$114,097</b>

(8) Key management personnel compensation

	For the years ended	
	December 31	
	2019	2018
Short-term employee benefits	\$93,507	\$88,253
Post-employment benefits	1,290	1,288
<b>Total</b>	<b>\$94,797</b>	<b>\$89,541</b>

**8. Assets Pledged As Collateral**

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

Assets pledged for security	Carrying amount		Secured liabilities
	2019.12.31	2018.12.31	
Financial assets measured at amortized cost	\$30,265	\$15,236	Custom clearance deposit
Financial assets measured at amortized cost	1,501	1,536	Office rental deposit
	<b>\$31,766</b>	<b>\$16,772</b>	

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**9. Commitments and contingencies**

None.

**10. Losses due to major disasters**

None.

**11. Significant subsequent events**

None.

**12. Others**

(1) Categories of financial instruments

Financial assets

	As of,	
	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$22,016	\$54,790
Financial assets at fair value through other comprehensive income	1,135,270	967,922
Financial assets measured at amortized cost (Note 1)	3,724,399	3,339,555
Total	<u>\$4,881,685</u>	<u>\$4,362,267</u>

Financial liabilities

	As of	
	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Payables (including related parties)	\$1,084,489	\$810,868
Other payables	567,625	561,437
Long-term payables	96,901	211,859
Lease liabilities	265,341	(Note 2)
Total	<u>\$2,014,356</u>	<u>\$1,584,164</u>

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Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

Note 2: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

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

Foreign currency risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2019 and 2018 would decrease / increase by NT\$15,254 thousand and NT\$116,528 thousand, respectively.

When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2019 and 2018 would decrease / increase by NT\$100,512 thousand and NT\$68,697 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Group's listed and unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's listed equity securities, unlisted equity securities and other investment are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's top management for reviews and approvals on a regular basis.

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For the years ended December 31, 2019 and 2018, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$0 thousand and NT\$190 thousand, respectively, on the equity attributable to the Group.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, accounts receivable from top ten customers represented 48% and 58% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

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The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	Carrying amount	
				December 31, 2019	December 31, 2018
Simplified method (Note)	(Note)	Lifetime expected credit losses	0%~100%	\$1,465,496	\$1,388,856

Note: The Group adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract asset, notes receivables and account receivables.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2019					
Payables (including related parties)	\$1,084,489	\$-	\$-	\$-	\$1,084,489
Other payables	567,625	-	-	-	567,625
Long-term payables	-	96,901	-	-	96,901
Lease Liability	39,576	44,190	25,403	254,544	363,713
As of December 31, 2018					
Payables (including related parties)	\$810,868	\$-	\$-	\$-	\$810,868
Other payables	561,437	-	-	-	561,437
Long-term payables	-	211,859	-	-	211,859

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Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As of December 31, 2019					
Inflows	\$108,183	\$-	\$-	\$-	\$108,183
Outflows	(107,979)	-	-	-	(107,979)
Net	<u>\$204</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$204</u>
As of December 31, 2018					
Inflows	\$330	\$-	\$-	\$-	\$330
Outflows	-	-	-	-	-
Net	<u>\$330</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$330</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2019:

	<u>Lease Liability</u>
As of January 1, 2019	\$294,614
Cash flows	(28,661)
Foreign exchange movement	(1,519)
Revision of lease contracts	907
As of December 31, 2019	<u>\$265,341</u>

Reconciliation of liabilities for year ended December 31, 2018:

None.

(7) Fair values of financial instruments

a. the methods and assumptions applied in determining the fair value of financial instruments:

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

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- i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivables, other receivables, payables and other payables approximate their fair value due to their short maturities.
  - ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.
  - iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.
  - iv. The long-term payables are determined by discounted cash flow analysis. The Group estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.
  - v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.
- b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2019 and 2018 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

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Items (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2019.12.23 to 2020.01.09
Forward currency contract	Sell foreign currency RMB 25,000 thousand	From 2019.12.25 to 2020.01.17
As of December 31, 2018		
Forward currency contract	Sell foreign currency USD 6,000 thousand	From 2018.12.19 to 2019.01.09

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

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As of December 31, 2019 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Forward currency contract	\$-	\$204	\$-	\$204
Funds	-	-	21,812	21,812
Financial assets at fair value				
through other comprehensive income				
Equity instruments measured				
at fair value through other				
comprehensive income				
	-	-	1,135,270	1,135,270

As of December 31, 2018 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value:</u>				
Financial assets at fair value				
through profit or loss				
Forward currency contract	\$-	\$330	\$-	\$330
Stocks	-	-	29,265	29,265
Funds	-	-	25,195	25,195
Financial assets at fair value				
through other comprehensive income				
Equity instruments measured				
at fair value through other				
comprehensive income				
	19,031	-	948,891	967,922

Transfers between Level 1 and Level 2 during the period

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

Movements of fair value measurement in level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

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	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2019	\$29,265	\$25,195	\$948,891	\$1,003,351
Total gains and losses recognized for the year ended December 31, 2019:				
Amount recognized in profit or loss ( "other profit or loss")	(29,265)	(3,383)	-	(32,648)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	186,379	186,379
Ending balances as of December 31, 2019	\$-	\$21,812	\$1,135,270	\$1,157,082

	Assets			
	At fair value through profit or loss		At fair value through other comprehensive income	
	Stocks	Funds	Stocks	Total
	Stocks	Funds	Stocks	Total
Beginning balances as at January 1, 2018	\$-	\$-	\$1,066,406	\$1,066,406
Total gains and losses recognized for the year ended December 31, 2018:				
Amount recognized in profit or loss ( "other profit or loss")	-	(4,005)	-	(4,005)
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	(147,515)	(147,515)
Acquisition/new issuance for the year ended December 31, 2018	29,265	29,200	30,000	88,465
Ending balances as of December 31, 2018	\$29,265	\$25,195	\$948,891	\$1,003,351

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Recognized as profit (loss) above, the loss from financial assets still held by the Group as of December 31, 2019 and 2018 was NT\$32,648 thousand and NT\$4,005 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$2,393 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	17%~25%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$1,586 thousand
Stocks and others	Asset approach	Discount for lack of marketability and	10%	The higher the discount for lack of marketability,	10% increase (decrease) in the discount for lack of

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	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
		non-controlling interest		the lower the fair value of the stocks	marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT\$97,317 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	19%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$12,231 thousand

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$2,869 thousand

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	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Preferred Stocks	Option pricing model	Discount for lack of marketability	11%~18%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$1,290 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/increase in the Group's equity by NT\$79,351 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	21%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in the Group's equity by NT\$8,380 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices.



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	As of December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial liabilities</u>			
Monetary items:			
USD	4,101	30.72	125,990
RMB	1,840	4.472	8,229

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies within the Group, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain was NT\$1,985 thousand and NT\$16,341 thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Capital management

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

**13. Other disclosure**

(1) Information related to significant transactions

Additional disclosures for information of the Group for the year ended December 31, 2019:

- (a) Financing provided to others for the year ended December 31, 2019: None.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2019: None.
- (c) Securities held as of December 31, 2019: Please refer to Attachment 1.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
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- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2019: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 2.
- (h) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2019: Please refer to Attachment 3.
- (i) Financial instruments and derivative transactions: Please refer to Note 12.
- (j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Group: Please refer to Attachment 5.

(3) Information on investments in Mainland China

- (a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.
- (b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2019:
  - i. Purchases amount and percentage, and related ending balance and percentage of payables: None.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES  
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- ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.
- iii. Property transaction amount and occurred gain (loss): None.
- iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
- v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
- vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

**14. Segment information**

(1) General Information

The products of the Company and its subsidiaries are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

(2) Geographical information

a. Revenue from external customers

	For the years ended December 31	
	2019	2018
China	\$2,215,654	\$2,029,602
Taiwan	1,429,839	1,132,205
Japan	792,039	753,184
United States	370,712	609,882
Others	498,107	379,785
Total	<u>\$5,306,351</u>	<u>\$4,904,658</u>

The revenue information above is based on the location of the customer.

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b. Non-current assets

	For the years ended December 31	
	2019	2018
Taiwan	\$1,080,298	\$1,239,517
Others	47,077	27,811
Total	\$1,127,375	\$1,267,328

c. Major customers information

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31	
	2019	2018
Customer A	\$602,888	\$148,169

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ATTACHMENT 1 (Securities held as of December 31, 2019) (Excluding subsidiaries and associates)

**Faraday Technology Corporation**

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2019				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	92,496,000	\$826,854	12.12%	\$826,854	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,500,000	68,856	5.00%	68,856	-

**Chih-Hung Investment Corporation**

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2019				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Preferred stock	Aviocomm Ltd.	-	Financial assets at fair value through profit or loss, noncurrent	14,600,000	\$-	12.60%	\$-	-
Common Stock				1,714,285				
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, noncurrent	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	23,931	9.53%	23,931	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, noncurrent	1,200,000	15,856	9.95%	15,856	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, noncurrent	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, noncurrent	1,818	122,313	9.74%	122,313	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	53,583	15.00%	53,583	-

**Sheng Bang Investment Corporation**

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2019				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, noncurrent	10,000	\$21,812	-	\$21,812	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, noncurrent	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, noncurrent	3,000,000	12,538	19.67%	12,538	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, noncurrent	-	11,339	8.50%	11,339	-

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ATTACHMENT 2 ( Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2019)

**Faraday Technology Corporation**

Counter-party	Relationship	Transactions					Notes and accounts receivable (payable)		Note
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	\$1,048,948	53.46%	Month-end 60 days	-	\$78,655	7.28%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	588,512	11.09%	Month-end 60 days	-	158,554	18.49%	-
HeJian Technology (Suzhou) Co., Ltd.,	Other related parties	Purchases	554,695	28.27%	Month-end 60 days	-	122,613	11.34%	-

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ATTACHMENT 3 ( Related party transactions for receivables of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2019)

**Faraday Technology Corporation**

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	\$158,554	4.68	\$-	\$-	\$103,074	\$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.

Note 2: The capital stock is the parent's capital stock.

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	\$413,032	Note 4	7.78%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expense	52,077	According to the contract	0.98%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	35,855	Month-end 60 days	0.47%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payables	6,345	Month-end 60 days	0.08%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	581,418	Note 4	10.96%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	83,015	Month-end 60 days	1.08%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	6,230	Note 5	0.12%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Accounts receivable	1,604	Month-end 60 days	0.02%
0	Faraday Technology Corporation	Innower Technology Corporation (Innower)	1	Sales	172,738	Note 5	3.26%
0	Faraday Technology Corporation	Innower Technology Corporation (Innower)	1	Accounts receivable	34,044	Month-end 60 days	0.44%
0	Faraday Technology Corporation	Innower Technology Corporation (Innower)	1	Other receivables	30,649	Month-end 60 days	0.40%
0	Faraday Technology Corporation	Innower Technology Corporation (Innower)	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	63,772	Note 5	1.20%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	29,328	Month-end 60 days	0.38%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Other receivables	15,777	Month-end 60 days	0.20%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	700,381	Note 5	13.20%

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	272,676	According to the contract	3.54%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	113	According to the contract	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts receivable	72,899	Month-end 60 days	0.95%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	27,347	Month-end 60 days	0.75%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payable	133	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Sales	30,278	Note 5	0.57%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Contract Assets	10,189	According to the contract	0.13%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payable	5	Month-end 60 days	-
0	Faraday Technology Corporation	United Business Service Corporation	1	Sales	28,728	Note 5	0.54%
0	Faraday Technology Corporation	United Business Service Corporation	1	Accounts receivable	27,027	Month-end 60 days	0.35%
0	Faraday Technology Corporation	Grain Media Inc.	1	Rent Revenue	114	According to the contract	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Other payable	136	Month-end 60 days	-
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expense	4,583	According to the contract	0.09%
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	1,018	Note 5	0.02%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expense	4,450	According to the contract	0.08%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	18	Month-end 60 days	-

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2019

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Artery Technology Company	1	Other receivables	42	Month-end 60 days	-
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	130,218	Note 5	2.45%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Accounts receivable	77,963	Month-end 60 days	1.01%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Contract liabilities	5,365	According to the contract	0.07%
1	Faraday Technology Corporation (Suzhou)	FaradayTek Solutions India Private Limited	3	Research expense	12,620	According to the contract	0.24%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology Vietnam Company Limited	3	Research expense	5,961	According to the contract	0.11%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	20,766	Note 5	0.39%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Accounts receivable	5,546	Month-end 60 days	0.07%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	49,903	Note 5	0.94%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Accounts receivable	52,397	Month-end 60 days	0.68%

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

**Faraday Technology Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation (USA)	USA	Sales representative in America	\$436,907	\$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	\$426,414	\$4,130	\$5,373
Faraday Technology - B.V.I	British Virgin Islands	Trading and general investing	706,792	706,792	Common stock 22,140 thousand shares	100.00%	365,263	(7,025)	(5,868)
Faraday Technology Japan Corporation	Japan Tokyo	Sales representative in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	82,067	20,600	20,600
Chih-Hung Investment Corporation	Taiwan	General Investing	910,000	910,000	Common stock 91,000 thousand shares	100.00%	713,257	18,519	20,123
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	186,545	(2,823)	(2,811)
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	-	-	100.00%	7,790	(1,302)	(1,333)

**Chih-Hung Investment Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$1,456	\$1,456	Common stock 146 thousand shares	19.42%	\$1,157	\$(476)	\$(92)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 8,000 thousand shares	100.00%	220,328	51,040	51,040
Fresco Logic Inc.	USA	IC designing	281,853	281,853	Preferred stock 5,528 thousand shares	22.61%	81,183	(24,933)	(3,646)
FaradayTek Solutions India Private Limited	India	IC design services	45	-	Common stock 10 thousand shares	1.00%	55	1,346	13

**Sheng Bang Investment Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$6,044	\$6,044	Common stock 604 thousand shares	80.58%	\$4,801	\$(476)	\$(384)
FaradayTek Solutions India Private Limited	India	IC design services	\$4,462	-	Common stock 990 thousand shares	99.00%	5,407	1,346	1,333

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2019)

**Innopower Technology Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Bright Capital Group Limited	Samoa	General investing	\$68,593	\$68,593	Common stock 2,301 thousand shares	100.00%	\$234,736	\$54,813	\$54,813

**Faraday Technology - B.V.I**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD \$12,859,205	USD \$12,859,205	Common stock 12,804 thousand shares	100.00%	\$87,776	\$(3,066)	\$(3,066)
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	5,604	(47)	(47)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	148,954	36,187	36,187
Artery Technology Corporation-Cayman	Cayman	General investing	USD 4,460,000	USD 4,460,000	Common stock 4,300 thousand shares	67.20%	120,927	(51,720)	(40,087)

**Artery Technology Corporation - Cayman**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2019	December 31, 2018	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Artery Technology Company	Taiwan	IC designing, marketing and customer service	60	-	Common stock 10 thousand shares	67.20% (Note2)	10,912	(9,697)	(6,855)

Note 1: USD are expressed in dollars.

Note 2: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman. The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.

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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Unit: New Taiwan Dollars in thousands, USD and RMB in dollars
					Outflow	Inflow						Accumulated inward remittance of earnings as of December 31, 2019
Faraday Technology China Corporation	IC designing, marketing and customer service	\$180,180 (USD 6,000,000)	Note 1 Note 3	\$180,180 (USD 6,000,000)	\$-	\$-	\$180,180 (USD 6,000,000)	\$(3,026)	100.00%	\$(3,026)	\$85,129	\$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	\$174,174 (USD 5,800,000)	Note 4	\$174,174 (USD 5,800,000)	\$-	\$-	\$174,174 (USD 5,800,000)	\$54,813	100.00%	\$54,813	\$234,736	\$-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	\$120,144 (USD 4,000,814)	Note 1 Note 5	\$120,144 (USD 4,000,814)	\$-	\$-	\$120,144 (USD 4,000,814)	-	100.00%	-	\$448	\$-
United Business Service Corporation	IC designing, marketing and customer service	\$129,630 (RMB 30,000,000)	Note 1 Note 6	\$129,630 (RMB 3,000,000)	\$-	\$-	\$129,630 (RMB 3,000,000)	\$36,187	100.00%	\$36,187	\$148,952	\$-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	\$290,090 (USD 9,660,000)	Note 1 Note 7 Note 10	\$133,934 (USD 4,460,000)	\$-	\$-	\$133,934 (USD 4,460,000)	\$(37,146)	67.20%	\$(28,699)	\$108,606	\$-
United Creative Solution Corporation	IC designing, marketing and customer service	\$4,321 (RMB 1,000,000)	Note 8	\$-	\$-	\$-	\$-	\$(375)	100.00%	\$(375)	\$3,947	\$-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	\$4,321 (RMB 1,000,000)	Note 9	\$-	\$-	\$-	\$-	\$(5)	100.00%	\$(5)	\$4,315	\$-

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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2019)

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$750,026 (Note 2) (USD 24,975,881)	\$844,198 (Note 2) (USD 28,111,835)	\$3,122,230

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation-Cayman.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2019.

Note 3: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of AiceStar Technology Corporation (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Bright Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2019, Investment Commission, MOEA approved the total investment amount USD 5,500 thousand , and the Company had remitted USD 4,460 thousand for the investment.

Note 8: United Business Service Corporation invested in the establishment of United Creative Solution Corporation in August 2019.

Note 9: United Business Service Corporation invested in the establishment of Innopower Technology Corporation (Chongqing) in July 2019.

Note 10: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. 67.20% in Artery Technology Corporation-Cayman. The Artery Technology Corporation-Cayman owns 100% of Artery Technology Corporation, The Group's share of profit or loss of Innopower (Chongqing) Technology Corporation is 67.20%.