Ticker: 6449

APAQ Technology Co., Ltd.

2019

Annual Report

Printed on May 6, 2020

Available at:
Market Observation Post System: http://mops.twse.com.tw
Company Website: http://www.apaq.com.tw

Name, Title, Telephone Number, and E-mail Address of the Spokesperson and Acting Spokesperson

Name and title of the Spokesperson: Ching-Feng Lin, CEO and CRO
Tel.: (037) 777-588
Email: cflin@apaq.com.tw
Name and title of the Acting Spokesperson: Hsi-Tung Lin, General Manager
Tel.: (037) 777-588
Email: stlin@apaq.com.tw

Addresses and Telephone Numbers of Corporate Headquarters, Subsidiaries and Factories

Headquarters: 4F., No. 2 & 6, Kedong 3rd Rd., Chunan Township, Miaoli County
Tel.: (037) 777-588
Branches: None
Factory: No. 1201, Lianfu Rd., Xishan Economic& Technological Development Zone, Wuxi City, Jiangsu Province, China
Tel.: (86) 510-81025298

Name, Address, E-mail Address, and Telephone Number of the Stock Transfer Agency

Name: Stock Affairs Department, Grand Fortune Securities Co., Ltd.
Address: 6F., No.6, Sec. 1, Chung Hsiao W. Rd., Taipei City
Website: http://www.gfortune.com.tw/
Tel.: (02)2371-1658

Name of CPAs who Audited the Financial Statements for the Most Recent Year, and the Name, Address and Telephone Number of the CPAs' Accounting Firm

Certified public accountant: Wan-Yuan Yu and Grace Lu
CPA Firm: KPMG Taiwan
Address: 68th Floor, No. 7, Section 5, Xinyi Road, Taipei City
Website: www.kpmg.com.tw
Tel.: (02)8101-6666

Name of the Stock Exchange Where the Company's Securities are Traded Offshore and Methods of Searching Information of The Offshore Marketable Securities

N/A

Company Website: www.apaq.com.tw

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Chapter 1. Letter to Shareholders

I. Business Plan, Future Company Development Strategies, Impacts from External Competition, Legal Environment, and Overall Business Environment this Year

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as "APAQ") is a company focusing on the development and application of conductive polymer materials, aiming at innovating technological products, and providing a comfortable and convenient living environment with conductive polymer material as the core technology. APAQ has successfully developed a series of solid-state capacitor products, and master the advantages of R&D, marketing, and manufacturing management, been treated as an important strategic partner by big manufacturer customers around the world.

In the first half of 2019, the Company suffered from a shortage of CPU & Chipset resulting from the yield issue of Intel, which severely affected PC industry shipments. In addition, the Company also suffered from low operating revenue and gross margin in the first half of the year due to the consumption of material for which suppliers raised prices when raw materials were in short supply in 2018. In the second half of the year, the MB/VGA market became active with increased operating revenue and gross margin, but the overall annual performance was slightly worse than that in 2018.

APAQ's market share of coiled conductive polymer solid-state capacitor ranks first in the world. In order to further develop market customers and expand market share, the Company has built out a new production line of coiled conductive polymer solid-state capacitor in Hubei Province at the end of 2019, which will not only increase the overall capacity, cost competitiveness and operating revenue, but also effectively enhance the market competitiveness of APAQ.

II. 2019 Operating Results

1. Analysis of results of business plan, financial revenue and expenditure and profitability

Unit: NT$ thousand

Item	2019	2018	Growth Rate
Net operating revenue	2,002,841	2,042,820	-1.96%
Gross profit	462,123	517,296	-10.67%
Operating profit	208,051	263,970	-21.18%
Net income after tax (NIAT)	139,071	182,343	-23.73%

2. Implementation status of budget: N/A.

III. Research and Development

In response to the future development towards the advanced market of 5G/IoT/AI/Power/Automotive/Industrial, APAQ adheres to the independent innovation of science and technology, and is dedicated to the technology and component development related to conductive polymer materials, and has been continuously developing coiled and stacked conductive polymer solid-state capacitors with the characteristics of low impedance, high ripple, miniaturization, long life, high-temperature resistance, and high voltage for the high-end market in 2019.

IV. Vision of Continuous Growth

Thanks to the full support from our shareholders, the team has been able to obtain enough resources in the past year to continue to complete the productivity construction and the development of new products, which has laid a solid foundation for the Company's sustainable development. At present, the Company has entered the stage of rapid growth and we sincerely invite all shareholders continuously to give support and recognition.

Sincerely

Happy and healthy!

General Manager Hsi-Tung Lin

Chapter 2. Company Profile

I. Founding Date

Founding Date: December 23, 2005

II. Company History

The Company is mainly producing subminiature capacitor products with the characteristics of high-temperature resistance, long life, and low impedance as well as R&D and production of conductive polymer solid-state capacitor and chip-type capacitor to satisfy clients. Those products are mainly focused on industries such as MB, NB, Server, HPC, power supply and net communication, which have price competitiveness with its stable quality at home and take a place in solid-state market. Important events of the Company are listed as follows:

2005
- The Company was founded with registered capital of NT$600,000,000 and a paid-up capital of NT$5,000,000.

2006
- A plant was approved to be established in Miaoli County with factory registration certificate.
- 0,021,000 new shares were issued by capital increase by cash and paid-up capital was increased to NT$ 205,210,000.
- Coiled solid capacitors were officially into mass production as ITRI transferred solid capacitance technology.
- Obtained ISO-9001 Certification.

2007
- 10,000,000 new shares were issued by capital increase by cash and paid-up capital was increased to NT$305,210,000.
- An overseas plant base APAQ Electronic (Wuxi) Co., Ltd. was founded with indirect investment through a third country and officially went into production.

2008
- Chip-type solid capacitors were successfully developed.
- 18,000,000 new shares were issued by capital increase by cash and paid-up capital was increased to NT$485,210,000.

2009
- Obtained QC080000 Certification.
- 10,000,000 new shares were issued by capital increase by cash and paid-up capital was increased to NT$585,210,000.
- Signing an agreement of grant for "development plan for material technology and process technology of microminiature aluminum chips" of industrial technology developed in the industry with the Industrial Development Bureau, MOEA.

2011
- 449,875 new shares were issued by capital increase by cash through conversion of surplus and paid-up capital was increased to NT$589,708,750.

2012
- 4,319,251 new shares were issued by capital increase by cash through conversion of surplus and paid-up capital was increased to NT$632,901,260.
- Obtained ISO14001 Certification.
- Built its own plants in Wuxi city in Mainland to expand capacity of coiled solid capacitors.

2013
- Applied for initial public offering.

2014
- Public issue of stock
- It was listed and traded as an Emerging Stock on Securities Exchange Market R.O.C. The stock code was 6449.
- Obtained OHSAS18001 Certification.
- Built a new plant of chip-type solid capacitors in Wuxi city in Mainland to expand capacity of chip-type solid capacitors.
- Obtained TS16949 Certification.
- 6,900,000 new shares were issued by capital increase by cash and paid-up

capital was increased to NT$731,901,260.

- It was listed on Taiwan Stock Exchange Corporation with stock code 6449.

2015
- The plan to set up R&D and application center of conductive polymer material with the support of government.

2016
- In response to market demands, the capacity of coiled V-Chip solid capacitors was expanded from 30 million pieces per month to 50 million pieces per month.

2017
- The technology and products of advanced applications of polymer material prescription were successfully developed. The R&D achievements on the material were introduced into the development of new advanced solid capacitor products with 25V to 100V.
- NT$ 300 million of first batch of domestic unsecured convertible bond was issued.
- 2,904,574 new shares were issued by the conversion of first batch of domestic unsecured convertible bond and paid-up capital was increased to NT$760,947,000.

2018
- 5,167,212 new shares were issued by the conversion of first batch of domestic unsecured convertible bond and paid-up capital was increased to NT$812,619,120.
- Second batch of domestic unsecured convertible corporate bonds was issued for NT$250,000,000.
- 5,500,000 new shares were issued by capital increase by cash and paid-up capital was increased to NT$867,619,120.
- 2,320,000 shares of the Company were first redeemed and paid-up capital was decreased to NT$844,419,120.
- High voltage (above 16V) chip-type solid capacitors were successfully developed.

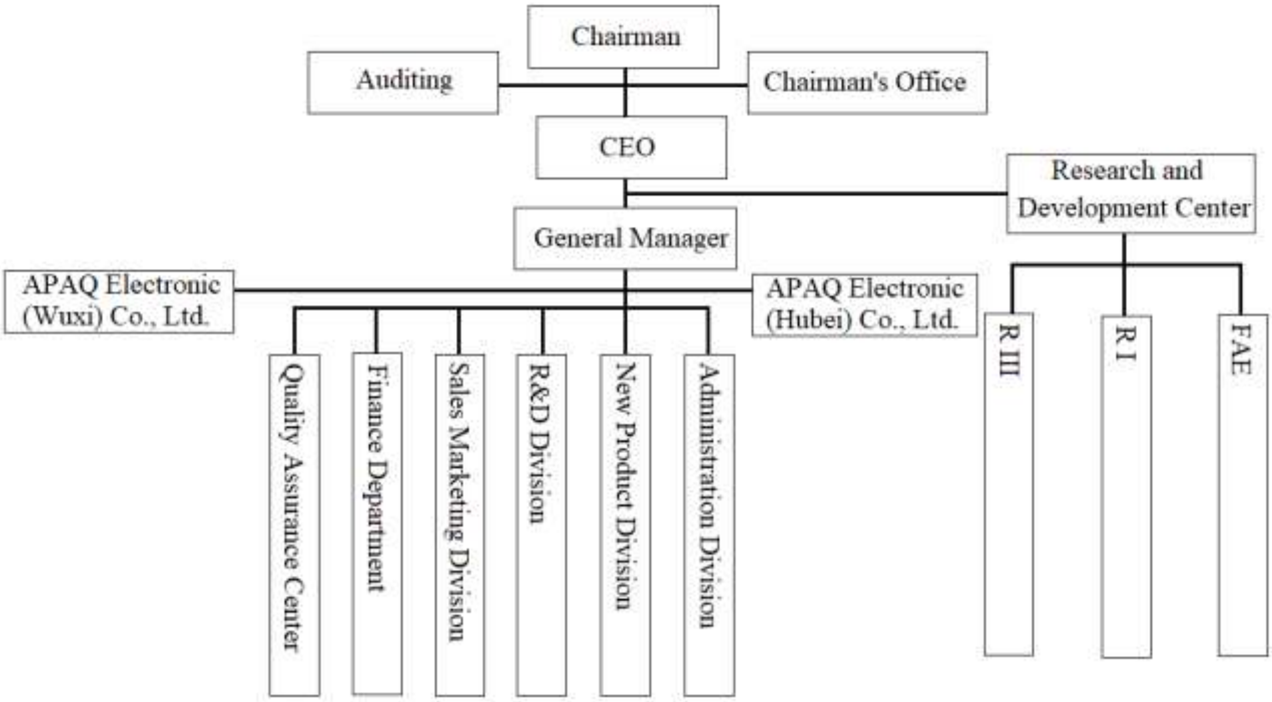
2019
- Hybrid capacitors were successfully developed.
- APAQ Technology (Hubei) Co., Ltd. was founded for official mass production of coiled solid capacitors to expand the market share.
- 59,171 new shares were issued by the conversion of the first domestic unsecured convertible bond and paid-up capital was increased to NT$845,100,830.

2020
- 23,668 new shares were issued in the first quarter by the conversion of first domestic unsecured convertible bond and paid-up capital was increased to NT$845,247,510.

Chapter 3. Corporate Governance Report

I. Organizational System

1. Organizational system diagram



2. Functions of major departments

Department	Major function
CEO and General Manager	• Comprehensive administration of strategies and policies such as the Company's operating target, business operation and organization management. • Execution of resolution of broad meeting and comprehensive management of the Company's affair.
Chairman's Office and Auditing Office	• Responsible for audit operations and internal control assessment and implementation of the Company and its subsidiaries, as well as provide suggestions for improvement to promote effective operations.
Quality Assurance Center	• Planning and maintenance of quality system. • Management operation of product quality. • Document control operation. • Verification of product reliability. • Application and management of safety regulation. • Management of Clients' complaint about quality. • Promotion of the Company's quality and image. • Measurement and management of laboratory.
Finance Department	• Capital planning & integration and risk management. • Preparation and analysis of financial statements. • Communication and maintenance of shareholders' equities. • Taxation planning and integration. • Management of capital assets.
Sales Marketing	• Plan, fulfillment, confirmation and achievement of sales goals.

Department	Major function
Division	• Reaching goals of internal requirements by cooperation between clients and the Company. • Connection, evaluation and management of clients, dealers and distributors. • Planning of business forecast and inventory management. • Reconciliation and management of accounts receivable. • Collection and analysis of information on market status. • Planning of product strategy and market development.
R&D division and R&D center	• New product development and technology support. • Fulfillment of R&D project system. • Verification and Confirmation of new materials. • Formulation and revision of materials, products and package specifications. • Management of intellectual property. • External assistance in promotion of products and the Company's image for marketing division.
New Product Division	• Development, design, and planning of new product.
Administration Division	• Planning and fulfillment of procurement strategy. • Support and management of import & export and overseas business. • Establishment and fulfillment of information and environmental protection, safety and sanitation management system. • Planning, fulfillment and management of relevant operation such as human resource, administration and general affairs.
APAQ Electronic (Wuxi) Co., Ltd. & APAQ Electronic (Hubei) Co., Ltd.	• Formulation and achievement of production quality / costs/ target date of delivery. • Production capacity planning and implementation. • Formulation and promotion of corrective and preventive measures and continuous improvement plan. • Development and management of production technology and equipment. • Planning and management of operation environment. • Establishment, maintenance and improvement of plant facilities. • Coordination and management of production, sales and inventory.

II. Information on the Company's Directors, Supervisors, General Managers, Vice General Managers, Associate Managers, and the Supervisors of All the Company's Divisions and Branch Units

1. Information on directors and supervisors (I)

April 30, 2020 Unit: share

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
Chairman	Republic of China	INPAQ Technology Co., Ltd.	N/A	2006.07.07 (Note 1)	2017.06.20	Three years	9,380,886	12.82	4,776,329	5.65	0	0	0	0	N/A	N/A	None	None	None
	Republic of China	Legal representative: Tun-Jen Cheng	Male	2005.12.23	2017.06.20	Three years	1,938,954	2.65	2,799,358	3.31	356,573	0.42	0	0	Ph.D. of National Cheng Kung University in Material Principal researcher of Industrial Technology Research Institute Material Laboratories Senior R&D Manager of CYNTEC Co., Ltd.	CTO of the Company Director and CEO of INPAQ Technology Co., Ltd. CTO of Walsin Technology Corporation Supervisor of King Polytechnic Engineering Co., Ltd. Supervisor of Bioptik Technology Inc Supervisor of IMAT CORPORATION Director of Chin Chia Wang Financial Management Co., Ltd. Representative of Inpaq (BVI) Ltd., Inpaq (Cayman Islands) Ltd., Hebang Technology (Hong Kong) Co., Ltd., Hebang Electron (Suzhou) Limited Company, Hebang Electron (China) Limited Company, Inpaq Trade (Suzhou) Co., Ltd., Hebang Trade (Suzhou) Co., Ltd., Hebang	Vice General Manager of Administration Center	Fu-Jen Cheng	Brother

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
																Electron (Hong Kong) Limited Company, Taiwan Inpaq Electronic Co., Ltd., APAQ Investment Limited and APAQ Electronic (Wuxi) Co., Ltd.; representative of APAQ Electronic (Hubei) Co., Ltd.			
Chair Directors	Republic of China	Huacheng Venture Capital Co., Ltd.	N/A	2009.06.26	2017.06.20	Three years	5,568,012	7.61	10,668,012	12.62	0	0	0	0	N/A	N/A	None	None	None
	Republic of China	Legal representative: Hsien-Yueh Hsu	Male	2014.08.07	2017.06.20	Three years	0	0	0	0	0	0	0	0	EMBA of NCCU	Juristic-person director representative of uPI Semiconductor Corp Director & joint CEO of ASUS Computer Inc.	None	None	None
Chair Directors	Republic of China	Ching-Feng Lin	Male	2009.06.26	2017.06.20	Three years	375,757	0.51	1,002,000	1.19	0	0	0	0	Ph.D. of Lowa State University in Chemistry Executive vice General Manager of Yonggang Technology Co., Ltd. Executive vice General Manager of LITON Technology Co., Ltd.	CEO of the Company CRO of the Company Spokesperson of the Company CEO of APAQ Electronic (Wuxi) Co., Ltd. General Manager of APAQ Electronic (Hubei) Co., Ltd.	None	None	None
Chair Directors	Republic of China	Hsi-Tung Lin	Male	2014.06.12	2017.06.20	Three years	390,373	0.53	420,990	0.50	8,422	0.01	0	0	Master of Chung Cheng Institute of Technology in Machinery Vice chairman of Quality Promotion Committee of Chung-Shan Institute of Science & Technology Head of QA Div. of INPAQ Technology Co., Ltd.	General Manager of the Company Acting Spokesperson of the Company General Manager of APAQ Electronic (Wuxi) Co., Ltd.	None	None	None

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
															General Manager of Hebang Electron (China) Limited Company				
Director	Republic of China	Fu-Tsan Tsai (Note 3)	Male	2014.06.12	2017.06.20	Note 3	0	0	Note 3						Master of NCTU Institute of Optoelectronics	Director of INPAQ Technology Co., Ltd. Director and Senior Vice General Manager of Gemtek Technology Co., Ltd. Director of BRIGHTECH Chairman of Zhengpeng Electronics Chairman of KUSAUTO Chairman of SoLink Medical Electronics Inc. Supervisor of AMPAK Technology Inc.	None	None	None
Director	Republic of China	Walsin Technology Corporation	N/A	2019.06.19	2019.06.19	Note 4	2,960,000	4.04	2,960,000	3.50	0	0	0	0	N/A	N/A	None	None	None
Director	Republic of China	Legal representative: Jui-Jung Chang (Note 4)	Male	2019.06.19	2019.06.19	Note 4	0	0	0	0	0	0	0	0	Graduated from National Taipei University of Technology in mining metallurgical engineering Engineer, director of product application, R&D manager of PHILIPS ELECTRONIC BUILDING ELEMENTS Head of high frequency component business department, CTO, Vice General Manager and COO of Walsin Technology	General Manager of Walsin Technology Corporation Representative Director of KAMAYA ELECTRIC Co., Ltd.	None	None	None

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
															Director and Vice General Manager of Xi'an Walsin United Technology Co., Ltd., a subsidiary of Walsin Group, Representative Director of ELNA Printed Circuits Corporation, Representative Director of KAMAYA ELECTRIC Co., Ltd., and Representative Director of エエレクトロエクス Co., Ltd. Juristic-person director representative of INPAQ Technology Co., Ltd.				
Independent Director	Republic of China	Shu-Chien Liang	Male	2014.06.12	2017.06.20	Three years	0	0	0	0	0	0	0	0	Ph.D. of University of Pennsylvania in Materials Science Vice General Manager of DELTA ELECTRONICS INC. Director of INPAQ Technology Co., Ltd. Supervisor of Topoint Technology Co., Ltd. Executive Director and Counselor of PIDA	Counselor of Industrial Technology Research Institute	None	None	None
Independent Director	Republic of China	Nai-Ming Liu	Male	2014.06.12	2017.06.20	Three years	0	0	0	0	0	0	0	0	Master of NCCU Institute of Accounting Independent Director of	Adjunct Instructor of Hsing Wu University CPA of CHENG YUAN Certified	None	None	None

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
															INPAQ Technology Co., Ltd.	Public Accountants Independent Director of ECLAT TEXTILE CO, LTD Independent Director of Bioptik Technology Inc			
Supervisor	Republic of China	Chin-Chang Yang	Male	2009.06.26	2017.06.20	Three years	103,000	0.14	155,813	0.18	0	0	0	0	Ph.D. of Nanhua University Management Institute of Management Science	Chairman and General Manager of Bioptik Technology Inc Chairman of Chang Mo Enterprise Co., Ltd. Adjunct Assistant Professor of Ta Hwa University of Science and Technology in Mechanical and Electrical Engineering Department Chairman and General Manager of BIORED TECHNOLOGY, INC Chairman of BioCode Technology Inc Chairman of Beili International Co., Ltd. Director of Chang Mo Enterprise Co., Ltd. Juristic-person director representative of Long Hong International Hightech Co., Ltd. Supervisor of INPAQ Technology Co., Ltd. General Director of HsinChu Kuang-FU high school	None	None	None
Supervisor	Republic of China	Chan-lieh Lin (Note 3)	Male	2014.06.12	2017.06.20	Note 3	0	0	Note 3						National Tainan Industrial High	Director of TaiSol Electronics Co.,	None	None	None

Title	Nationality/place of registration	Name	Gender	Date of first election	Date elected	Term	Shareholding when elected		Number of shares held currently		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship		
							Number of shares	Shareholding ratio (%) (Note 2)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
															School Director of Wanshih Electronic Co., Ltd. General Manager	Ltd. Independent Director of Hu Lane Associate Inc. Director of SZKTS Director of TaiSol Electronics Co., Ltd. Director of TaiSol Electronics Japan Co., Ltd.			
Supervisor	Republic of China	Chang-Chia Wu	Male	2014.06.12	2017.06.20	Three years	483,986	0.66	527,445	0.62	0	0	0	0	Kao Yuan University	Vice General Manager of Business Engineering of POWER AHEAD TECHNOLOGY LIMITED	None	None	None
Supervisor	Republic of China	Fu-Tsan Tsai (Note 4)	Male	2019.06.19	2019.06.19	Note 4	0	0	0	0	180,220	0.21	0	0	Master of NCTU Institute of Optoelectronics	Director of INPAQ Technology Co., Ltd. Director and Senior Vice General Manager of Gemtek Technology Co., Ltd. Director of BRIGHTECH Chairman of Zhengpeng Electronics Chairman of KUSAUTO Chairman of SoLink Medical Electronics Inc. Supervisor of AMPAK Technology Inc.	None	None	None

Note 1. The first term of office is the period from July 7, 2006 to June 25, 2009 and he didn't serve as a juristic-person director of the Company from June 26, 2009 to June 11, 2014.

Note 2. Shareholding ratio is calculated as per 73,190,126 shares (including 2,500,000 shares of treasury stock) issued when he was elected.

Note 3. The Director Mr. Fu-Tsan Tsai and the Supervisor Mr. Chan-Lieh Lin resigned on April 30, 2019, therefore, the number of shares currently held by themselves, their spouses, minor children and nominees are not disclosed.

Note 4. Walsin Technology Corporation was elected as a director on shareholders' meeting on June 19, 2019 through by-election and appointed Mr. Jui-Jung Chang as the representative with the term of office from June 19, 2019 to June 19, 2020; Mr. Fu-Tsan Tsai was elected as a supervisor on shareholders' meeting on June 19, 2019 through by-election with the term of office from June 19, 2019 to June 19, 2020.

Table 1. If the Directors, Supervisors are institutional shareholder representatives, names of those institutional shareholders and names of legal persons of the top 10 shareholders and their shareholding ratio should be noted.

April 30, 2020

Name of institutional shareholders	Major shareholders	%
INPAQ Technology Co., Ltd.	Walsin Technology Corporation TAI FENG SHUO CO., LTD. Walton Advanced Engineering Inc. Tun-Jen Cheng Chia Lin Venture Capital Co., Ltd. ARGOSY RESEARCH INC Chih Nan Star Venture Capital Co., Ltd. Hsiu-Shih Chen Fu Kai Investment Management and Consulting Co., Ltd. North Star Venture Capital Co., Ltd.	33.09% 5.51% 1.12% 1.07% 0.96% 0.65% 0.58% 0.57% 0.49% 0.48%
Huacheng Venture Capital Co., Ltd.	ASUS Computer Co., Ltd.	100%
Walsin Technology Corporation	Walsin Lihwa Corporation HannStar Board Co., Ltd. Yuanta Taiwan Dividend Plus ETF account GLOBAL BRANDS MANUFACTURE LTD. Fubon Life Insurance Co., Ltd. gives carte blanche to the investment account of Nomura Asset Management Taiwan Ltd. Walton Advanced Engineering Inc. Citibank in custody for investment of Kim Eng Securities Pty Ltd. Yu-Heng Chiao Winbond Electronics Corporation Daton in custody for advanced comprehensive international stock index of Advanced Starlight Fund	18.30% 7.46% 3.52% 3.11% 3.00% 2.75% 2.74% 2.64% 1.77% 1.72%

Table 2. If those top 10 shareholders in Table 1 are institutional shareholders, names of the institutional shareholders and the ratio of their shareholdings to the top 10 shareholders should be noted.

April 30, 2020

Name of institutional shareholders	Major shareholders of institutional shareholders	%
Walsin Technology Corporation	Walsin Lihwa Corporation HannStar Board Co., Ltd. Yuanta Taiwan Dividend Plus ETF account GLOBAL BRANDS MANUFACTURE LTD. Fubon Life Insurance Co., Ltd. gives carte blanche to the investment account of Nomura Asset Management Taiwan Ltd. Walton Advanced Engineering Inc. Citibank in custody for investment of Kim Eng Securities Pty Ltd. Yu-Heng Chiao Winbond Electronics Corporation Daton in custody for advanced comprehensive international stock index of Advanced Starlight Fund	18.30% 7.46% 3.52% 3.11% 3.00% 2.75% 2.74% 2.64% 1.77% 1.72%
TAI FENG SHUO CO., LTD.	Huako Tsaii Electronic Plastic Co., Ltd.	100%
Walton Advanced Engineering Inc.	Walsin Lihwa Corporation Winbond Electronics Corporation	21.65% 9.89%

Name of institutional shareholders	Major shareholders of institutional shareholders	%
	Prosperity Dielectrics Co., Ltd. Walsin Technology Corporation HannStar Board Co., Ltd. Yu-Heng Chiao Huako Tsaii Electronic Plastic Co., Ltd. Yu-Lun Chiao HSBC in custody for the Jaketti Emerging Markets Small Equity Capital Fund New Labor Pension Fund gives the first carte blanche to special account for investment of FH in 2008.	6.30% 6.29% 2.92% 1.58% 1.00% 0.96% 0.83% 0.80%
Chia Lin Venture Capital Co., Ltd.	Yu Feng Venture Capital Co., Ltd. Cheng Yu Venture Capital Co., Ltd. Xinzhong Venture Capital Co., Ltd. Jasmine Success Consultants Ltd. on The British Virgin Islands Qianyi Venture Capital Co., Ltd. Sheng Cheng Venture Capital Co., Ltd. ADDCN TECHNOLOGY CO., LTD. Cailideng Venture Capital Co., Ltd. APAQ Technology Co., Ltd. Shuang Chen Venture Capital Co., Ltd.	18.18% 18.18% 18.18% 14.54% 9.09% 9.09% 3.64% 3.64% 3.64% 1.82%
Argosy Research Inc.	Guan Ze Co., Ltd. Chao Liang Wang Fubon Life Insurance Co., Ltd. SINBON Electronics Co., Ltd. Shu Chen ChenPrudential Financial Maxima FundYi-Pen Yuan Sheng-Wei Wang UPAMC GREAT CHINA FUND Yueh-Ning Wang	17.81% 7.01% 5.00% 3.59% 3.22% 1.85% 1.69% 1.64% 1.19% 1.12%
Chih Nan Star Venture Capital Co., Ltd.	Shen Chin Yuan Venture Capital Co., Ltd. Fu-Chi Teng Yi Li Venture Capital Co., Ltd. SANLIEN TECHNOLOGY CORP. Jianbao Venture Capital Co., Ltd. Huasheng International Holding Limited RECO INTERNATIONAL DEVELOPMENT CO., LTD. Fu Li Venture Capital Co., Ltd. Tien Yu International Technology Consulting Co., Ltd. HENGFENG Venture Capital Co., Ltd.	13.33% 10.00% 10.00% 10.00% 10.00% 10.00% 8.33% 6.67% 3.33% 3.33%
Fu Kai Investment Management and Consulting Co., Ltd.	Hsiu-Chih Cheng Su-Chuan Chang Ching-Yun Cheng Yu-Chieh Cheng Chia-Yu Wu I-Chen Chiang Chiao-Fang Cheng Kuei-ying Chuang Chao-Kai Cheng Chao-Chi Cheng	29.74% 24.34% 11.50% 11.50% 9.46% 8.11% 5.31% 0.01% 0.01% 0.01%

Name of institutional shareholders	Major shareholders of institutional shareholders	%
North Star Venture Capital Co., Ltd.	Huasheng International Holding Limited Fu Li Venture Capital Co., Ltd. Chicony Electronics Co., Ltd. Baiyi Venture Capital Co., Ltd. Elan Microelectronics Corporation MOBILETRON ELECTRONICS CO., LTD. Chicony Power Technology Co., Ltd. Tien Yu International Technology Consulting Co., Ltd. Chin Chia Wang Financial Management Co., Ltd. Shuo Hung Venture Capital Co., Ltd.	20.00% 16.67% 11.67% 10.00% 10.00% 6.67% 5.00% 3.33% 3.33% 3.00%
ASUS Computer Inc.	Jonney Shih Citibank Taiwan in custody for ASUS depositary receipts Cathay United Bank in custody for the investment account of Professional Alliance Corporation Bank of Taiwan in custody for Silchester International Investors International Value Equity Trust New Labor Pension Fund JP Morgan Chase Bank, N.A., Taipei branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Citibank Taiwan in custody for Norges Bank, Norway JP Morgan Chase Bank, N.A., Taipei branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds Bank of Taiwan in custody for Silchester International Investors International Value Equity Group Trust	4.05% 3.31% 2.77% 2.69% 2.60% 2.12% 1.68% 1.47% 1.40% 1.35%
Walsin Lihwa Corporation	Winbond Electronics Corp. Jin Hsin Investment Co., Ltd. JP Morgan Chase Bank, N.A., Taipei branch in custody for LGT Bank (Singapore) Ltd. Yuanta/P-shares Taiwan Dividend Plus ETF Yu-Hui Chiao Hua Li Investment Co., Ltd. Yu-Heng Chiao JP Morgan Chase Bank, N.A., Taipei branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds Jung Chiang Co., Ltd. Yu-Chi Chiao	6.55% 6.31% 5.87% 5.64% 2.77% 2.16% 1.74% 1.45% 1.66% 1.53%
HannStar Board Co., Ltd.	Walsin Technology Corporation Walsin Lihwa Corporation Career Technology (Mfg.) Co., Ltd. Jin Hsin Investment Co., Ltd. Bai-Yun Hung	20.19% 12.24% 5.88% 3.60%

Name of institutional shareholders	Major shareholders of institutional shareholders	%
	Yu-Heng Chiao HSBC in custody for BNP Paribas, Singapore branch HSBC in custody for Jaketti emerging markets equity small cap fund Yueh-Hung Chiu JPMorgan Chase Bank, N.A., in custody for advanced comprehensive international stock index of Advanced Starlight Fund	1.87% 1.80% 1.52% 1.36% 1.15% 1.09%
GLOBAL BRANDS MANUFACTURE LTD.	HannStar Board Co., Ltd. Bei Li Development Co., Ltd. Citibank Taiwan in custody for Norges Bank, Norway Ching-Chiu Chiang Chi-Fu Chiu HSBC in custody for Jaketti emerging markets equity small cap fund Daton in custody for advanced comprehensive international stock index of Advanced Starlight Fund Daton in custody for Vanguard emerging markets equity index fund Min-Hui Liao Tzu-Lang Hung	40.65% 6.68% 1.40% 1.07% 1.07% 1.00% 0.76% 0.76% 0.65% 0.62%
Walton Advanced Engineering Inc.	Walsin Lihwa Corporation Winbond Electronics Corporation Prosperity Dielectrics Co., Ltd. Walsin Technology Corporation HannStar Board Co., Ltd. Yu-Heng Chiao Huako Tsaii Electronic Plastic Co., Ltd. Yu-Lun Chiao HSBC in custody for the Jaketti Emerging Markets Small Equity Capital Fund New Labor Pension Fund gives the first carte blanche to special account for investment of FH in 2008.	21.65% 9.89% 6.30% 6.29% 2.92% 1.58% 1.00% 0.96% 0.83% 0.80%
Winbond Electronics Corporation	Walsin Lihwa Corporation Jin Hsin Investment Co., Ltd. Yu-Chun Chiao JP Morgan Chase Bank, N.A., Taipei branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds JP Morgan Chase Bank, N.A., Taipei branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds Yuanta/P-shares Taiwan Dividend Plus ETF Citibank Taiwan in custody for Norges Bank, Norway JP Morgan Chase Bank, N.A., Taipei branch in custody for LGT Bank (Singapore) Ltd. Bai-Yun Hung	22.21% 5.55% 1.59% 1.23% 1.16% 1.13% 1.04% 0.97% 0.89% 0.80%

Name of institutional shareholders	Major shareholders of institutional shareholders	%
	Citibank Taiwan in custody for second emerging markets assessment fund Yu-Heng Chiao	

Directors and Supervisors (II)

Qualification / Name	Meets one of the following professional qualifications, with at least five years of work experience			Compliance with Criteria of Independence												Number of other public companies where the individual concurrently serves as an independent director
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	11	12	
INPAQ Technology Co., Ltd. Legal representative: Tun-Jen Cheng			V						V			V	V	V		0
Huacheng Venture Capital Co., Ltd. Legal representative: Hsien-Yueh Hsu			V	V		V	V		V	V	V	V	V	V		0
Hsi-Tung Lin			V			V		V	V			V	V	V	V	0
Ching-Feng Lin			V					V	V			V	V	V	V	0
Fu-Tsan Tsai (Note 2)			V	V		V	V	V	V	V	V	V	V	V	V	0
Walsin Technology Corporation Legal representative: Jui-Jung Chang (Note 3)			V	V		V	V		V	V	V	V	V	V		0
Shu-Chien Liang			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Nai-Ming Liu		V	V	V	V	V	V	V	V	V	V	V	V	V	V	2
Chang-Chia Wu			V	V		V	V	V	V	V	V	V	V	V	V	0
Chin-Chang Yang	V		V	V		V	V	V	V	V	V	V	V	V	V	0
Chan-Lieh Lin (Note 4)			V	V	V	V	V	V	V	V	V	V	V	V	V	1

Note 1. For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions. ✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(3) Not a natural person shareholder who holds more than 1% of total issued shares or ranks top ten in shareholding, including the shares held in the name of the person's

spouse, minor children, or in the name of others.

(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among top five in shareholdings, or that designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the company's director seats or voting shares. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(7) Not a director, supervisor, or employee of a company where the Chairman, General Manager or person with the equivalent position are held by the same person or by his/her spouse separately. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(8) Not a (managing)director, (managing)supervisor, officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (Not applicable in cases where companies or institutions hold more than 20% and no more than 50% of total shares issued by the Company, and the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, members of the committee on remuneration, committee on public acquisition review, or special committee on merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act shall not be subject to this provision.

(10) Not a spouse or a relative within the second degree of kinship with any other directors.

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) Not a governmental, juridical person or its representative is elected as defined in Article 27 of the Company Act.

Note 2. Director Fu-Tsan Tsai resigned on April 30, 2019 and was elected as supervisor at shareholders' meeting on June 19, 2019 through by-election.

Note 3. Walsin Technology Corporation was elected as a director on shareholders' meeting on June 19, 2019 through by-election and appointed Mr. Jui-Jung Chang as the representative.

Note 4. Supervisor Chan-Lieh Lin resigned on April 30, 2019.

2. General Manager, Vice General Managers, Assistant Manager and Managers of Departments and Branches:

April 30, 2020 Unit: Share

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship		
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
CEO and CRO	Republic of China	Ching-Feng Lin	Male	2016.01.01	1,002,000	1.19	0	0	0	0	Ph.D. of Lowa State University in Chemistry Executive vice General Manager of Yonggang Technology Co., Ltd. Executive vice General Manager of LITON Technology Co., Ltd.	APAQ Electronic (Wuxi) Co., Ltd. CEO, General Manager of APAQ Electronic (Hubei) Co., Ltd.	None	None	None
General Manager	Republic of China	Hsi-Tung Lin	Male	2013.08.14	420,990	0.50	8,422	0.01	0	0	Master of Chung Cheng Institute of Technology in Machinery Vice chairman of Quality Promotion Committee of Chung-Shan Institute of Science & Technology Head of QA Div. of INPAQ Technology Co., Ltd. General Manager of Hebang Electron (China) Limited Company	APAQ Electronic (Wuxi) Co., Ltd. General Manager	None	None	None
Vice General Manager of Marketing Division	Republic of China	Han-Yuan Lin	Male	2011.11.08	88,163	0.10	210,562	0.25	0	0	Master of National Cheng Kung University in chemical engineering IKE industrial analyst of Industrial Technology Research Institute Deputy researcher of Industrial Technology Research Institute Medical Laboratories	None	None	None	None
Vice General Manager of Administration Center	Republic of China	Fu-Jen Cheng	Male	2018.02.27	60,250	0.07	2,018	0	0	0	Enterprise Management of CYCU Special assistant of General Manager of APAQ Technology Co., Ltd. Head of Production Division, Nanometer Business Department, VERTEX PRECISION ELECTRONICS INC. Special assistant of Executive vice General Manager of Yonggang Technology Co., Ltd. Vice Factory Director of Tyche Leather Industrial Co., Ltd. Vice General Manager & factory director of Shanghai Wei Tannery	None	None	None	None
FAE assistance	Republic of China	Shih-Shan	Male	2018.02.27	58,744	0.07	11,403	0.01	0	0	Master of Electrical Machinery of National Cheng Kung University	None	None	None	None

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship		
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relation
		Liu									Researcher of Industrial Technology Research Institute Chemical Engineering Research				
Head of R&D Division	Republic of China	Ming-Zung Chen	Male	2011.11.08	154,038	0.18	0	0	0	0	Master of NTHU Institute of Material Senior Engineer of UMC Deputy researcher of Industrial Technology Research Institute Chemical Engineering Research	None	None	None	None
Head of QA Center and New Product Division	Republic of China	Ming-Ku Chien	Male	2018.02.27	20,000	0.02	3,000	0	0	0	Bachelor and Master of NTHU in Materials Science and Engineering Deputy researcher of Industrial Technology Research Institute Chemical Engineering Research Project manager in the General Manager Office of Hitech Energy Co., Ltd.	None	None	None	None
Manager of the Finance Department	Republic of China	Pei-Ling Li	Female	2012.10.01	116,696	0.14	0	0	0	0	Accounting of PCCU Vice manager of Auditing Department of KPMG Taiwan Assistant of Administrative Office of Hebang Electron (Suzhou) Limited Company Accountant manager of INPAQ Technology Co., Ltd.	None	None	None	None
Manager of Auditing Office	Republic of China	Shao-Yug Kuo	Female	2012.10.01	0	0	0	0	0	0	Accounting Department of Feng Chia University Europtronic Electronics Co., Ltd. of Europtronic Group Senior Manager Manager of Financial Department of APAQ Electronic (Wuxi) Co., Ltd. Project manager in the General Manager Office of APAQ Technology Co., Ltd.	None	None	None	None

III. Remuneration paid to directors (including independent directors), supervisors, General Managers, and Vice General Managers in the most recent year

<u>Remuneration for General Directors (Including Independent Directors)</u>

2019 Unit: NT$thousand

Title	Name	Remuneration of Directors								Proportion of NIAT after summing up the four items of A, B, C, and D (%)		Relevant remuneration received by directors who are also employees								Proportion of NIAT after summing the seven items of A, B, C, D, E, and F (%)		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company
		Remuneration (A)		Severance pay and pension (B)		Remuneration of Directors (C)		Business expense (D)				Salary, Bonus and Special Allowance (E)		Severance pay and pension (F)		Employee's compensation (G)						
																The Company		Companies in the consolidated financial statements				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	Companies in the consolidated financial statements	
Chairman	INPAQ Technology Co., Ltd.	0	0	0	0	420	420	0	0	0.30	0.30	0	0	0	0	0	0	0	0	0.30	0.30	None
Corporate director representative and CTO	Tun-Jen Cheng	0	0	0	0	0	0	40	40	0.03	0.03	3,146	3,146	0	0	2,400	0	2,400	0	4.02	4.02	None
Director	Huacheng Venture Capital Co., Ltd.	0	0	0	0	420	420	0	0	0.30	0.30	0	0	0	0	0	0	0	0	0.30	0.30	None
Corporate director representative	Hsien-Yueh Hsu	0	0	0	0	0	0	30	30	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Director, CEO and CRO	Ching-Feng Lin	0	0	0	0	841	841	40	40	0.63	0.63	1,993	2,473	108	108	3,100	0	3,100	0	4.37	4.72	None
Director and General Manager	Hsi-Tung Lin	0	0	0	0	841	841	40	40	0.63	0.63	2,109	3,189	108	108	1,200	0	1,200	0	3.09	3.87	None
Director	Fu-Tsan Tsai (Note 1)	0	0	0	0	105	105	10	10	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	None
Director	Walsin	0	0	0	0	210	210	0	0	0.15	0.15	0	0	0	0	0	0	0	0	0.15	0.15	

	Technology Corporation (Note 2)																					None
Corporate director representative	Jui-Jung Chang (Note 2)	0	0	0	0	0	0	20	20	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
Independent Director	Shu-Chien Liang	0	0	0	0	420	420	40	40	0.33	0.33	0	0	0	0	0	0	0	0	0.33	0.33	None
Independent Director	Nai-Ming Liu	0	0	0	0	421	421	40	40	0.33	0.33	0	0	0	0	0	0	0	0	0.33	0.33	None

Please illustrate the policies, systems, standards, and structure of independent directors' remuneration, as well as the correlation between the remuneration and the responsibilities, risks, and time: According to Article 27 of the Articles of Association, if the Company makes profit in this year, the Board of the Directors may allocate no more than 3% of the profit as director and supervisor remuneration. Independent directors do not receive any director renumeration, which is in line with the payment policy of directors and supervisors who do not concurrently serve as employee.

Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: None

Note 1. Resigned on April 30, 2019. Note 2: Walsin Technology Corporation was elected as a director at shareholders' meeting on June 19, 2019 through by-election and appointed Mr. Jui-Jung Chang as the representative.

Remuneration for Supervisors

2019 Unit: NT$thousand

Title	Name	Remuneration for Supervisor						Proportion of NIAT after summing up the three items of A, B, and C		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company
		Remuneration (A)		Compensation (B)		Business expense (C)				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
Supervisor	Chang-Chia Wu	0	0	420	420	30	30	0.32%	0.32%	None
Supervisor	Chin-Chang Yang	0	0	420	420	40	40	0.33%	0.33%	None
Supervisor	Chan-lieh Lin (Note 1)	0	0	105	105	10	10	0.08%	0.08%	None
Supervisor	Fu-Tsan Tsai (Note 2)	0	0	211	211	20	20	0.17%	0.17%	None

Note 1. Resigned on April 30, 2019. Note 2: Mr. Fu-Tsan Tsai was elected as a supervisor on shareholders' meeting on June 19, 2019 through by-election.

Remuneration of General Manager and Vice General Managers

2019 Unit: NT$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowance (C)		Employee's compensation (D)				Proportion of NIAT after summing up the four items of A, B, C, and D (%)		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO and CRO	Ching-Feng Lin	1,574	2,054	108	108	419	419	3,100	0	3,100	0	3.74	4.09	None
General Manager	Hsi-Tung Lin	1,339	2,419	108	108	770	770	1,200	0	1,200	0	2.46	3.23	None
Vice General Manager of Marketing Division	Han-Yuan Lin	2,081	2,081	105	105	880	880	1,200	0	1,200	0	3.07	3.07	None
Vice General Manager of Administration Center	Fu-Jen Cheng	661	1,681	39	39	1,595	1,595	550	0	550	0	2.05	2.78	None

Remuneration for the top 5 executives

2019 Unit: NT$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and allowance (C)		Employee's compensation (D)				Proportion of NIAT after summing up the four items of A, B, C, and D (%)		Compensation paid to Directors from an invested company other than the Company's subsidiary or parent company
		The Company	Companies in the consolidated financial statements	The Company Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
CEO & CRO	Ching-Feng Lin	1,574	2,054	108	108	419	419	3,100	0	3,100	0	3.74	4.09	None
General Manager	Hsi-Tung Lin	1,339	2,419	108	108	770	770	1,200	0	1,200	0	2.46	3.23	None
CTO	Tun-Jen Cheng	2,640	2,640	0	0	506	506	2,400	0	2,400	0	3.99	3.99	None
Vice General Manager of Marketing Division	Han-Yuan Lin	2,081	2,081	105	105	880	880	1,200	0	1,200	0	3.07	3.07	None
Vice General Manager of Administration Center	Fu-Jen Cheng	661	1,681	39	39	1,595	1,595	550	0	550	0	2.05	2.78	None

Amount of Employee Bonus Paid to Managerial Officers and Their Names

2019 Unit: NT$thousand

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to NIAT (%)
Managerial officer	CEO and CRO	Ching-Feng Lin	0	10,300	10,300	7.41
	General Manager	Hsi-Tung Lin				
	Vice General Manager of Marketing Division	Han-Yuan Lin				
	Vice General Manager of Administration Division	Fu-Jen Cheng				
	CTO	Tun-Jen Cheng				
	FAE assistance	Shih-Shan Liu				
	Head of R&D Division	Ming-Zung Chen				
	Head of QA Center and New Product Division	Ming-Ku Chien				
	Manager of the Finance Department	Pei-Ling Li				

3. The ratio of total compensation paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, General Managers and Vice General Managers of the Company, to the net income, and the policies, standards, and portfolios for the payment of remuneration, the procedures for determining compensation, and the correlation with risks and business performance:

(1) Analysis on proportion of compensation paid to directors, supervisors, General Managers and vice General Managers by the Company and all companies in the consolidated financial statements to net income after tax in the two most recent years

Year	Ratio of total remuneration to NIAT (%)			
	2018		2019	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	9.68%	10.54%	13.02%	14.14%
Supervisor	0.90%	0.90%	0.90%	0.90%
General Manager and Vice General Manager	11.37%	13.43%	11.31%	13.17%

(2) Policies, standards, and portfolios of compensation payments; procedures for determining remuneration and correlation of remuneration with business performance and future risks

Remuneration ratio of the Company's Directors and managers is in compliance with the Article 27 of the Articles of Association. The Board meeting shall allocate no lower than 8% of the annual profit as employee remuneration and no higher than 3% as Director and Supervisor remuneration. To regularly assess the remuneration of Directors and managers, personal performance and the engagement of company operation shall be considered for allocating Director and manager remuneration. Other factors to be considered when calculating reasonable remuneration include: any negative impact on the company loss caused by the Director and managers, internal mismanagement, goal achievement rate, profit rate, operational performance, degree of contribution. Evaluation shall be carried out on the Director and manager remuneration system depending on the actual operating status and relevant regulations.

IV. Implementation of Corporate Governance

(I) Board of Directors

The Board of Directors held 4 (A) meetings in the most recent year, and the attendance of Directors are as follows:

Title	Name	Actual Attendance (Presence) in Person (B)	Attendance by Proxy	Percentage of Actual Attendance (Presence) in Person (%) (B/A)	Note
Chairman	INPAQ Technology Co., Ltd. Representative: Tun-Jen Cheng	4	0	100%	
Director	Huacheng Venture Capital Co., Ltd. Representative: Hsien-Yueh Hsu	3	1	75%	
Director	Hsi-Tung Lin	4	0	100%	
Director	Ching-Feng Lin	4	0	100%	
Director	Fu-Tsan Tsai	1	0	100%	Resigned on April 30, 2019.
Director	Walsin Technology Corporation Representative: Jui-Jung Chang	2	0	100%	Elected as a director at shareholders' meeting on June 19, 2019 through by-election and appointed Mr. Jui-Jung Chang as the representative.
Independent Director	Shu-Chien Liang	4	0	100%	
Independent Director	Nai-Ming Liu	4	0	100%	

Other matters:

I. Where the proceedings of the Board meeting include one of the following circumstances,describe the date, session, topics discussed, opinions of every independent director, and the responses from the Company:

(I) Items listed in Article 14-3 of the Securities and Exchange Act.

Meeting date /Session	Proposals	All Independent Directors' opinions	The Company's handling of independent directors' opinions	Resolution
2019.3.21 The 9th session of the 6th Board of Directors	1. Amendments to the Procedures Governing the Acquisition or Disposition of Assets. 2. Amendments to the Procedures for Endorsement and Guarantee 3. Amendments to the Operational Procedures for Lending Funds to Other Parties.	All independent directors have no objection or reservation.	N/A	Resolution approved.
2019.5.8 The 10th session of the 6th Board of Directors	1. Discussion on remuneration of directors, supervisors and bonus of managers and employees in 2018.			

		2. Discussion on the 2nd share redemption and transfer to employee 3. Capital increase on APAQ Electronic (Wuxi) Co., Ltd.			
	2019.08.01 The 11th session of the 6th Board of Directors	1. Capital increase on APAQ Technology (Hubei) Co., Ltd. 2. Discussion on fund lending to APAQ Electronic (Wuxi) Co., Ltd. 3. Discussion on endorsement and guarantee to subsidiary APAQ Electronic (Wuxi) Co., Ltd.			
	2019.11.7 The 12th session of the 6th Board of Directors	Discussion on remuneration of CPAs for their professional service of the Company in 2019			

(II) Other resolutions of the Board, which the independent director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

II. Recusal of Directors due to conflict of interests (the name of the Directors, the content of the proposals, reasons for recusal, and participation in voting shall be stated):

1. Directors Hsi-Tung Lin and Ching-Feng Lin, due to the conflict of interest, was recused from discussion and resolution at the Board Meeting on May 8, 2019, where the remuneration of directors, supervisors, and employees of the Company was discussed. After consultation by the Chair, the motion was unanimously adopted and approved by all attending Directors.
2. Directors Tun-Jen Cheng and Ching-Feng Lin, due to the conflict of interest, were recused from discussion and resolution at the Board Meeting on May 8, 2019, where the 2nd share redemption and transfer to employees was discussed. After consultation by the temporary Chair, the motion was unanimously adopted and approved by all attending Directors.

III. The evaluation cycle, period, scope, method, and content of the Board of Directors' self-evaluation:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation contents
Annually	2019.1.1~2019.12.31	All Board of Directors	Internal self-evaluation for the Board of Directors	Participate in the operation of the Company, improve the decision-making quality of the board of directors, the composition and structure of the board of directors, the selection and appointment of the board of directors, continuous learning, and internal control.

IV. The goal of enhancing functions of the Board of Directors (such as setting up an audit committee and improving information transparency, etc.) in the current and the most recent year and evaluation of fulfillment: Regulations of the Board of Directors of the Company has been revised and executed. Tahe Company has set up a Remuneration Committee and two independent directors according to regulations of the competent authority.

(II) Operation of the Audit Committee or Supervisors' participation in the operations of Board meetings:

1. The Company has no Audit Committee.
2. Operation of the Audit Committee or Supervisors' participation in Board meetings: The Board of Directors held 4 (A) meetings in the most recent year, and the attendance of Supervisors are as follows:

Title	Name	Actual Attendance in Person (B)	Percentage of Actual Attendance in Person (%) (B/A)	Note
Supervisor	Chang-Chia Wu	3	75%	
Supervisor	Chin-Chang Yang	4	100%	
Supervisor	Chan-lieh Lin	1	100%	Resigned on April 30, 2019.
Supervisor	Fu-Tsan Tsai	2	100%	Elected as a supervisor at shareholders' meeting on June 19, 2019 through by-election.

Other matters:

I. Composition and responsibilities of Supervisors:

(I) Communication of supervisors with employees and shareholders (e.g. communication channel and method): Supervisors may have direct communication with employees and shareholders when necessary.

(II) Communication between the independent directors and the internal audit supervisor or CPAs (e.g. the items, methods and results of communication concerning the Company's finance and business):

1. Supervisors of the Company may investigate the corporate business and financial status at any time, ask the Board of Directors or managers for reports, and even contact with accountants when necessary; heads of internal audit should submit audit report to supervisors regularly.
2. According to internal audit system and discussion rules of the Board of Directors of the Company, the audit head would report internal auditing business to directors and supervisors on Board meetings regularly. Also, when material violation or major damages to the Company appears, report shall be made and submitted immediately, and supervisors shall be notified.
3. The Company would discuss the internal auditing report and improvement situation of internal control deficiencies together with investigated institutions on the settlement meeting for improvement measures. Also, auditing reports and tracking reports that are submitted for approval quarterly would be regularly submitted to the supervisor for review.

II. If the supervisors stated opinions while attending the board meetings, the date and term of the meeting, the contents of the proposals discussed and resolutions passed in the meeting and the Company’s actions in response to the opinions of the supervisors shall be provided: No such occurrences.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established Corporate Governance Best-Practice Principles which aims at protecting the shareholders' equities, enhancing functions of the Board of Directors, respecting stakeholders' equities, and improving information transparency. Please refer to the Company's official website for the Corporate Governance Best-Practice Principles.	No material difference
II. Shareholding structure & shareholders' equities (I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations, and does the Company implement the procedures in accordance with the procedure? (II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders? (III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies? (IV) Has the Company established internal rules against insiders using undisclosed information to trade with?	V V V V		(I) The Company has formulated regulations on operation of shareholders' business committee, which is processed by professional agencies. At the same time, relevant matters are handled by dedicated personnel. (II) The Company possesses a list of shareholders to get on hand its major shareholders with substantial controlling power and the list of ultimate controllers. (III) Reinvestment of the Company is processed according to Regulations on Related Party Transaction, Internal Control System, Internal Auditing System, and relevant regulations. (IV) The Company has formulated Regulations on Prevention from Insider Trading and advocated relevant matters to insider personnel.	No material difference No material difference No material difference No material difference
III. Composition and responsibilities of the Board of Directors (I) Has the Board developed, and does it implement, a diversity policy for the composition of its members? (II) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	V V	V	(I) The Company stipulates diversication policies in the Corporate Governance Best-Practice Principles, which are disclosed on the company website and MOPS. For the Company's future development, professional background is the guideline of the Company. It is stipulated that the number of directors with marketing and technology background shall reach 25% of the total Board. In the current term of the Board of Directors, 6 directors are expertise in marketing or technology, and the goal achievement rate is 86%. Directors Tun-Jen Cheng, Hsien-Yueh Hsu, Ching-Feng Lin, Hsi-Tung Lin, Jui-Jung Chang, and Shu-Chien Liang are from various industries and possess	No material difference It will be reevaluated as per the Company's demands in the future.

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(III) Has the Company formulated the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal? (IV) Does the Company regularly implement assessments on the independence of CPA?	V		professional background in marketing and technology. Independent director Nai-Ming Liu is the certified accountant with accounting background. Independent directors account for 29% of the Board. The term of office for the 2 independent directors is six years. Four directors are 50-60 years old, two directors are 60-70 years old, and one director is 70-80 years old. The Board of the Directors of the Company fully fulfills the diversification requirements in terms of basic condition, professional knowledge, and skills. (II) The Company has set up a Remuneration Committee but no other functional committees. It will be reevaluated as per the Company's demands in the future. (III) The Company has established evaluation measures for performance of the Board of Directors. The performance evaluation would be carried out annually as per evaluation methods selected according to evaluation measures. Please access the Company's website for relevant methods. (IV) CPAs entrusted by the Company are not directors, supervisors, managers, employees or shareholders of the Company or its affiliates, who are confirmed as non-stakeholders, conforming to the regulation of independent judgement by authorities (please refer to Note 2 for Evaluation Table of CPAs' Independence). The Company regularly evaluates the independence of CPA once a year, which is carried out by the Board of Directors after the declaration of independence from CPAs is obtained. The evaluation of the most recent two years is completed on May 8, 2019 and May 6, 2020 respectively.	No material difference No material difference
IV. Has the Company appointed competent and appropriate number of personnel responsible for corporate governance matters, and delegated the Company's corporate governance supervisors to be in charge of such matters (including but not limited to providing information for directors and supervisors to perform their functions, handling matters related to Board meetings	V		The Board of Directors resolved in the meeting on May 6, 2020 to set an appropriate principal of corporate governance who has over three years of experience as financial managers in the public companies, pursuant to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. to protect shareholder interests and strengthen the functions of the Board of Directors. The main responsibilities	No material difference

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
and shareholders' meetings according to the law, handling company registration and changes to company registration, and producing minutes of the Board meetings and shareholders' meetings)?			of the corporate governance supervisor are to handle matters related to the Board of Directors and shareholders' meeting according to law, make minutes of the Board meetings and shareholders' meeting, assist directors and supervisors in taking up their posts and continuing education, provide data necessary for directors and supervisors to carry out their business, and assist directors and supervisors in complying with laws and regulations. Before the official assignment of corporate governance principal at the Board meeting on May 6, 2020, all matters related to corporate governance are handled by one manager. Business operation in 2020 are as follows: 1. Providing the necessary data for each director to perform his/her duties. 2. Providing the latest legal developments related to each director's operation of the Company to assist directors in complying with the laws and regulations. 3. Developing and planning an appropriate corporate system and organizational structure to promote Board independence, corporate transparency and compliance with laws and regulations. 4. Consulting opinions of all directors before the board meeting to plan and draw up the agenda, and notifying all directors at least 7 days in priority to attend the meeting and providing sufficient meeting data to facilitate the directors to understand the contents of relevant proposals. The minutes of the Board meetings were completed within 20 days after the meeting. 5. Registering dates for shareholders' meetings every year in accordance with the deadline prescribed in regulations; producing and filing meeting notices, proceedings manual, and meeting minutes within the statutory period. 6. Improving the information related to corporate governance according to the evaluation guidelines of the corporate governance evaluation system. The corporate governance principal is concurrently served by the financial principal. Further training hour in 2019 was 12 hours. After the official appointment by the Board meeting on May 6, 2020, 18 hours of further training within one year is required from the date of taking office according to regulations.	

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' section been established on the Company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?	V		The Company has established a special section for related parties on the Company's website, and all related parties can communicate with each other through the channels disclosed on the website when necessary.	No material difference
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The agency of the Company's stock affairs is Stock Affairs Department, Grand Fortune Securities Co., Ltd.	No material difference
VII. Information disclosure (I) Has the Company established a website to disclose information on financial operations and corporate governance? (II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V	V	(I) The Company has established a website to disclose information on financial operations and corporate governance. (II) 1. The Company has established a spokesperson system in accordance with regulations. Spokesmen and acting spokesmen are fully responsible for external communication and establish internal major information processing procedures. 2. The content of the Company website includes information such as products, company profiles, company's financial business, corporate governance, corporate social responsibility, and law-speaking meeting, etc. It also has an English website and has special personnel to update relevant data on a regular basis. (III) The Company did not announce and declare its financial reports for the first, second, and third quarters within the prescribed time limit in 2019 according to law. But its monthly operating status is announced 3 days before the prescribed time limit. In order to facilitate investors to obtain sufficient and correct information in a timely manner, the electronic financial report for the first quarter of 2020 was announced at least 7 days before the prescribed time limit.	No material difference No material difference The financial report of the first quarter has been improved.
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations,	V		(I) Employee equities and employee care: The Company has established and disclosed working rules that comply with relevant laws and regulations. At the same time, the Company has set up an internal website to promote information of the Company, facilitate opinion	No material difference

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>supplier relations, stakeholder rights, directors’ and supervisors’ training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?</td><td></td><td></td><td>communications of colleagues and enhance the centripetal force and cohesion of employees to the enterprise organization. In addition, the Company has established a welfare committee, which is responsible for all staff welfare matters.
(II) Rights of investor relations, supplier relations and stakeholders: Based on the concept of coexistence and common prosperity, the Company has maintained a long-term and good interactive and cooperative relationship with investors, suppliers and various stakeholders, and has provided effective communication channels and information transmission to maintain long-term cooperation and economic operation mode as its development direction.
(III) Information on further education of directors and supervisors: See Note 3 for details.
(IV) Implementation of risk management policies and measurement standard: The Company has established various risk management policies and conducted various risk management and assessment in accordance with regulations.
(V) Implementation of customer policies: The Company maintains a stable and good relationship with its customers in order to make profits.
(VI) The Company's purchase of liability insurance for directors and supervisors: The Company purchases liability insurance for directors and supervisors every year with an amount of US$5 million.</td><td></td></tr>
<tr><td colspan="5">IX. Describe improvements made according to the corporate governance assessment in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out.
Improvements made:
(1) The Board of Directors of the Company approved the appointment of a corporate governance supervisor on May 6, 2020.
(2) The Company announced the electronic financial report book at least 7 days before the prescribed time limit starting from the financial report in the first quarter of 2020.
(3) Set and implement the diversification goal of the Board of Directors.
Priority improvements and measures to be taken:
(1) The Company's risk management policy was approved by the Board of Directors on May 6, 2020, and the scope, organizational structure and operation of risk management will be disclosed on the Company's website in the future.
(2) Arrange more than half of the directors and at least one seat of supervisor to attend the 2020 shareholders' meeting.</td></tr>
</table>

Evaluation item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(3) From 2020, Chinese and English version of the procedure manual, supplementary information and Chinese and English version of meeting notice will be uploaded 30 days before shareholders' meeting; Chinese version of annual report will be uploaded 16 days prior and the English version of annual report will be uploaded 7 days prior to the shareholders' meeting. (4) The Board of Directors will be re-elected and an Audit Committee will be set at 2020 shareholders' meeting.				

Note 1. Regardless of whether the operations column was filled in yes or no, the Company shall state an appropriate explanation in the summary column.

Note 2.

Evaluation item for CPA independence	Evaluation results	Meet independence criteria
Not a person who holds regular jobs at APAQ Technology Co., Ltd. and its subsidiaries, receives fixed salary, or serves as a director or supervisor.	Yes	Yes
Not a director, supervisor, manager of APAQ Technology Co., Ltd. and its subsidiaries, nor an employee with material influence on the certification case, who has resigned for less than two years.	Yes	Yes
Not a principal or manager of APAQ Technology Co., Ltd. and its subsidiaries who are spouse, lineal relative, lineal affinity, or collateral consanguinity within the second degree of kinship thereof.	Yes	Yes
The person or his/her spouse, minor children have no relationship of investment or sharing financial interests with APAQ Technology Co., Ltd. and its subsidiaries.	Yes	Yes
The person or his/her spouse, minor children have no capital loan with APAQ Technology Co., Ltd. and its subsidiaries.	Yes	Yes
Executive management consulting or other certification businesses do not affect independence.	Yes	Yes
Complying with the competent authority's regulations governing the rotation of accountants, conducting accounting affairs on behalf of other parties, or any other regulations that may affect the independence.	Yes	Yes

Note 3. Continuing education of Directors and Supervisors:

Title	Name	Organizer	Course title	Hours of courses
Chairman	Tun-Jen Cheng	Securities and Futures Institute of Consortium Legal Person	The Company's Countermeasures Under The Enforcement of Economic Substance Law and Global Anti-Tax Avoidance	3
		Securities and Futures Institute of Consortium Legal Person	Key Issues of Finance and Taxation in 2019	3
		Taiwan Institute of Directors	Enterprise Merger and Acquisition Regulations and Analysis of Operation Practice	3
Director	Hsien-Yueh Hsu	Taiwan Corporate Governance Association of Corporative Legal Person	Recent Update of Taiwan's Tax Law - Special Law on Return of Funds to Taiwan and Regulations on Production and Creation	3
		Taiwan Corporate Governance Association of Corporative Legal Person	Innovation in Scientific Innovation	3
Supervisor	Chin-Chang	Securities and Futures Institute of Consortium Legal Person	Key Issues of Finance and Taxation in 2019	3

Title	Name	Organizer	Course title	Hours of courses
	Yang	Securities and Futures Institute of Consortium Legal Person	The Company's Countermeasures Under The Enforcement of Economic Substance Law and Global Anti-Tax Avoidance	3
Supervisor	Fu-Tsan Tsai	Taiwan Corporate Governance Association of Consortium Legal Person	Competition for Management Rights and Case Analysis	3
		Taiwan Corporate Governance Association of Consortium Legal Person	Corporate Governance and Latest Legal Changes	3
Independent Director	Shu-Chien Liang	Securities and Futures Institute of Consortium Legal Person	2019 Prevention Of Insider Trading Seminar	3
Independent Director	Nai-Ming Liu	CPA Associations R.O.C	Anti-money Laundering and Application of Internal Control System to Combat Financing of Terrorism in Accounting Firms	3
		Securities and Futures Institute of Consortium Legal Person	Key Issues of Finance and Taxation in 2019	3
		Securities and Futures Institute of Consortium Legal Person	The Company's Countermeasures Under The Enforcement of Economic Substance Law and Global Anti-Tax Avoidance	3
		Taiwan Accounting Research and Development Foundation of Consortium Legal Person	Corporate Governance and Securities Regulations	3
		CPA Associations R.O.C	Interpretation of Latest Letter of Explanation of Business Income Tax and Cases of Tax Administrative Relief under the Insurance Law	3
		CPA Associations R.O.C	Key Points and Analysis of 2018 Income Tax Declaration	3

(IV) When the Company has set a Remuneration Committee, its composition, duties, and implementation status shall be disclosed:

The Company's Remuneration Committee is responsible for setting and regularly reviewing the policies, systems, standards and structures of directors, supervisors and managers' performance evaluation and remuneration, regularly evaluating and setting the remuneration of directors, supervisors and managers, and properly combining with the Company's operating performance and goals to attract high-quality talents and enhance the competitiveness of the enterprise.

(1) Information of the members of the Remuneration Committee

Title	Qualification / Name	Meets one of the following professional qualifications, with at least five years of work experience			Meeting the Status of Independence (Note 1)										Number of other public companies where the individual concurrently serves as remuneration committee member	Note (Note 2)
		Business, law, and finance An instructor or higher post in a private or public college or university in the field of accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Nai-Ming Liu		V	V	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Shu-Chien Liang			V	V	V	V	V	V	V	V	V	V	V	0	
Other	Ming-Yen Shieh			V	V	V	V	V	V	V	V	V	V	V	0	

Note 1. For any committee member who fulfills the relevant condition(s) two years before being elected or during the term of office, please provide the "√" mark in the field next to the corresponding condition(s). ✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(3) Not a natural person shareholder who holds more than 1% of total issued shares or ranks top ten in shareholding, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among top five in shareholdings, or that designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the company's director seats or voting shares. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(7) Not a director, supervisor, or employee of a company where the Chairman, General Manager or person with the equivalent position are held by the same person or by his/her spouse separately. (Not applicable in cases where the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(8) Not a (managing)director, (managing)supervisor, officer, or shareholder holding 5% or more of the shares, of a specific company or institution that has a financial or business relationship with the Company (Not applicable in cases where companies or institutions hold more than 20% and no more than 50% of total shares issued by the Company, and the person is an independent director of the company, its parent company, subsidiary, or any subsidiary owned by the same parent company as appointed in accordance with the Act or with the laws of the country).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. However, members of the committee on remuneration, committee on public acquisition review, or special committee on merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act shall not be subject to this provision.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

Note 2. Provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Paragraph 5, Article 6 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM": None.

(2) Operations of Remuneration Committee

I. The Company's Remuneration Committee composes of 3 members.

II. Duration of the current term of service: June 20, 2017 to June 19, 2020. Two (A) Remuneration Committee meetings were held in the past year. The qualification of members and attendance are shown below:

Title	Name	Actual Attendance in Person (B)	Attendance by Proxy	Percentage of Actual Attendance in Person (%) (B/A) (Note)	Note
Convener	Nai-Ming Liu	2	0	100%	
Member	Shu-Chien Liang	2	0	100%	
Member	Ming-Yen Shieh	1	1	50%	

Other matters:

I. If the Board of Directors refuses to adopt or amend a recommendation of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company' s response to the Remuneration Committee' s opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.

II. If there is any member who opposes or has reservations to the resolution of the Remuneration Committee and there is a record or a written statement for it, that record or statement should contain the date of the Board Meeting, the term of the fiscal year, the content of the proposal, and opinions of all members and the follow-up treatments: None.

(V) Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>I. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?</td><td>V</td><td></td><td>The Company conducts risk assessment based on the principle of materiality of corporate social responsibility. Relevant risk management policies and strategies are promulgated after the assessment:
<table><tr><th>Material issue</th><th>Assessment item</th><th>Policy and strategy</th></tr><tr><td>Corporate governance</td><td>Compliance with social and economic regulations</td><td>Ensure all employees of the Company and operations comply with regulations by establishing governance structure and implementing internal control.</td></tr></table></td><td>No material difference</td></tr>
<tr><td>II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?</td><td>V</td><td>V</td><td>The Company has formulated a Corporate Social Responsibility Best Practice Principles, and has not assign financial department as the part-time division for promoting corporate social responsibility.</td><td>No material difference</td></tr>
<tr><td>III. Environmental Issues
(I) Does the Company establish a suitable environmental management system based on its industrial characteristics?
(II) Is the Company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?
(III) Has the Company assessed the present and future potential risks and opportunities of climate change for the entity, and</td><td>V
V
V
V</td><td></td><td>(I) The Company has built complete environment management system based on its industrial characteristics and operating demands and has obtained ISO14001 (the duration of validity: September 2, 2021) and QC080000 (the duration of validity: March 29, 2021) certification.
(II) The Company is committed to improving resource efficiency within a reasonable range, such as recycling reusable waste paper, using LED lights and turning off the lights in the office during lunch break to save electricity and reduce the impact on the environment.</td><td>No material difference
No material difference
No material difference</td></tr>
</table>

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
taken measures to respond to climate-related issues? (IV) Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulated policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?			(III) Climate change may cause changes to production environment, which may lead to potential risks. Countermeasures have been strictly imposed. (IV) To achieve the goal of energy conservation and carbon reduction, the Company undertakes temperature control of air conditioners in summer to effectively utilize energy.	No material difference
IV. Social Issues (I) Has the Company formulated management policies and procedures following relevant regulations and international human rights treaties?	V		(I) The Company follows relevant laws and regulations and has established relevant management policies and procedures, including Corporate Social Responsibility Best Practice Principles, Rules for Staff Work, Measures for Prevention and Control of Sexual Harassment in the Workplace, Social Responsibility Policy and Commitment, Procedures for Management and Protection of Child and Juvenile Workers, Procedures for Management of Freedom of Association and Collective Bargaining Rights, etc.	No material difference
(II) Does the Company formulate and implement reasonable employee benefits measures (including compensation, days-off, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?	V		(II) The Company has formulated employee working rules and relevant personnel management rules, which cover the basic salary, working hours, vacations, pension benefits, labor and health insurance benefits, occupational disaster compensation, etc. for the employees employed by the company, which all conform to relevant provisions of the labor standards law. A staff welfare committee is established by-election of employees, which handles various welfare matters; the Company's remuneration policy is based on personal ability, contribution to the company and performance, which is positively correlated to operating performance.	No material difference
(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?	V		(III) 1. Employees are required to take protective measures according to the requirements of the working environment to ensure the personal safety of employees. 2. The Company has fire prevention facilities and escape doors, and holds a fire education drill every six months to familiarize employees	No material difference
	V			

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Has the Company established effective career development and training plans for its employees? (V) Has the Company complied with relevant laws and regulations and international standards for its products and services respecting customer health and safety, customer privacy, marketing, and labeling, and formulated relevant consumer protection policies and grievance procedures? (VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? And, how well are those policies implemented?	V V		with firefighting equipment and improve their emergency response ability, to ensure the personal safety of employees. 3. Staff health check-ups are held every year to assist staff in personal health management. 4. Air-conditioning equipment is cleaned regularly every year and garbage sorting is carried out to ensure the quality of working environment. 5. 24-hour security equipment is provided to ensure a safe working environment. (IV) The Company provides effective professional education and training channels according to the needs of employees and the Company's business to cultivate their functions and career development ability. (V) The Company has formulated Procedures of Customer Service Control and Quality Policies and Quality Goals to ensure that products and services satisfy customer requirements. (VI) The Company has formulated a Supplier Control Procedure to enable suppliers to continuously and timely provide products that meet the Company's quality/environmental protection requirements and HSF requirements for hazardous substance exemption, including products that are produced by suppliers under requirements of social responsibility.	No material difference No material difference No material difference
V. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		V	The Company has not prepared reports such as its Corporate Social Responsibility report to disclose non-financial information of the company.	In the future, it will be compiled according to the development needs of the company.
VI. If the Company has established its Corporate Social Responsibility Practice Principles according to Corporate Social Responsibility Practice Principles for TWSE/TPEx Listed Companies, please describe the operational status and any deviations: The Company has established a set of Corporate Social Responsibility Practice Principles, and no material deviation is found between current practices and the Principles.				
VII. Other important information to facilitate better understanding of the Company's Corporate Social Responsibility practices: The Company made donation to ITRI				

Item	Implementation Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
Alumni in 2019 to facilitate the cooperation with alumni of ITRI, further exchange, and long-term development of ITRI.				

(VI) Ethical Corporate Management Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of Ethical Corporate Management policies and programs (I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies? (II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management for TWSE/TPEx Listed Companies? (III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?	V V V		(I) As the basis for implementing ethical corporate management in practice, the Company has formulated Principles of Ethical Corporate Management and adheres to the Company Act, the Securities and Exchange Act, the Business Accounting Act, relevant policies for TWSE/TPEx listed companies and other laws pursuant to business conduct. (II) The Company's Board of Directors has formulated an Ethical Corporate Management Best Practice Principles on January 29, 2014 and has positively enhanced the implementation according to Code of Credit Management for TWSE/TPEx Listed Companies. (III) The Company has formulated a code of ethical conduct to enable its employees, management, and stakeholders to better understand and follow the Company's ethical standards.	No material difference No material difference No material difference
II. Fulfillment of Ethical Corporate Management (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof? (III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these	V V V	V	(I) Before conducting commercial transactions, the Company will conduct credit investigation to avoid dealing with illegal or dishonest persons. The Company has set financial department as the part-time division to promote ethical corporate management. It is responsible of facilitating the Board of Directors and management to establish ethical corporate management policies	No material difference It will be set up as required in the future. No material difference

policies and channels accordingly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		and monitors the implementation, to ensure the full execution of ethical corporate management principle. Annual report to the Board of Directors is conducted regularly. In the Board meeting on May 6, 2020, 2019 execution was reported. In 2020, training and testing are conducted to all employees with the theme of “implementing the value of integrity, developing corporate sustainability.” (II) The Board of Directors has formulated rules of procedure. If a director has conflicts of interest in various proposals, he/she should be recused from discussion and resolution. (III) In accordance with the accounting system and internal control system, the Company's auditors regularly check its compliance. (IV) The Company regularly holds internal and external education and training in ethical corporate management.	No material difference No material difference
III. Status of enforcing whistle-blowing systems in the company (I) Has the Company established a concrete whistle-blowing and rewarding system, and set up accessible methods for whistle-blowers, and designate appropriate and dedicated personnel to investigate the accused? (II) Has the Company established standard operating procedures for the reported matters, the measures to be taken after investigation is completed, and the relevant confidential mechanism? (III) Does the Company take any measures to protect whistle-blowers so that they are safe from mishandling?	V V V		(I) The Company has set up a reporting system and exclusive reporting channels. Whistle-blowers can report through the Company's website, and dedicated personnel will be assigned to handle the reporting matters. (II) According to provisions of the Company's reporting system, reporting matters shall be handled in accordance with the system and relevant contents shall be kept strictly confidential. The Company takes measures for protecting whistle-blowers from improper actions due to whistle-blowing.	
IV. Enhancement of Information Disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The Company has formulated an Ethical Corporate Management Best Practice Principles" and has disclosed it on MOPS.	No material difference
V. If the Company has established its Ethical Corporate Management Best Practice Principles according to Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe the operational status and any deviations: The Company has established a set of Procedures for Ethical Management and Guidelines for Conduct and no material deviation is found between current practices and the Principles.				
VI. Other important information helpful for understanding the Company's ethical corporate management: The Company has Operation Procedures of Ethical Corporate Management and Conduct Guide and Code of Ethical Conduct. Please refer to MOPS or the company's website for relevant information.				

(VII) Please disclose the access to the Company's corporate governance principles and related rules and regulations:

Access: http://www.apaq.com.tw

(VIII) Other important information that can promote the understanding of the Company's corporate governance status shall be disclosed:

(IX) Implementation of the internal control system

1. Statement of Internal Control System:

APAQ Technology Co., Ltd.

Statement of Internal Control System

Date: March 24, 2020

Based on the findings of a self-assessment, the Company states the following about its internal control system in 2019:

I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.

III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.

IV. The Company has already adopted the Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2017, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment about the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. The Statement was passed by the Board of Directors on March 24, 2020, with none of the 7 attending directors expressing dissenting opinions, and the remainder all approved the content of this Statement.

APAQ Technology Co., Ltd.

Chairman: Tun-Jen Cheng (signed or sealed)

CEO: Ching-Feng Lin (signed or sealed)

General Manager: Hsi-Tung Lin (signed or sealed)

2. For any CPA retained to conduct a project review of the internal control system, the CPA’s audit report shall be disclosed: None.

(X) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have material impact on the shareholders' equity or securities prices, major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report : None.

(XI) Major decisions of Board meetings in the most recent year as of the publication date of the Annual Report:

Meeting	Date Convened	Major resolution
Board of Directors	2019.03.21	(1) Approved the operating report and financial statements for 2018. (2) Approved the Company's allocation of employee remuneration and remuneration of directors and supervisors in 2018. (3) Approved the date, time, place, and agenda of the 2019 regular shareholders' meeting of the Company. (4) Approved shareholders' proposals through the 2019 regular shareholders' meeting of the Company.
Board of Directors	2019.05.08	(1) Approved the Company's financial report for the first quarter in 2019. (2) Approved the appropriation of retained-earning for 2018. (3) Approved the termination of the capital increase through the first private offering (4) Approved the independent evaluation of the appointment of CPAs by the Company. (5) Approved to increase capital on APAQ Electronic (Wuxi) Co., Ltd.. (6) Approved the addition of the report and discussion proposal of 2019 regular shareholders' meeting
Board of Directors	2019.08.01	(1) Approved the Company's financial report for the second quarter in 2019. (2) Approved to increase capital on APAQ Technology (Hubei) Co., Ltd. (3) Approved capital loan to the subsidiaries (4) Approved endorsements/guarantees to the subsidiaries
Board of Directors	2019.11.07	(1) Approved the Company's financial report for the third quarter in 2019.
Board of Directors	2020.03.24	(2) Approved the operating report and financial statements for 2019. (3) Approved the Company's allocation of employee remuneration and remuneration of directors and supervisors in 2019. (4) Approved the discussion on the date, time, place, and agenda of the 2020 regular shareholders' meeting of the Company. (5) Approved shareholders' rights to proposal at the 2020 regular shareholders' meeting of the Company.
Board of Directors	2020.05.06	(1) Approved the Company's financial report for the first quarter in 2020. (2) Approved the appropriation of retained-earning for 2019. (3) Approved the examination of the list of candidates for nomination of independent directors accepted by 2020 regular shareholders' meeting of the Company.

Meeting	Date Convened	Major resolution
		(4) Approved the proposal to increase capital on APAQ Electronic (Hubei) Co., Ltd. (5) Approved the independent evaluation of the appointment of CPAs by the Company. (6) Approved the appointment of the person in charge of corporate governance. (7) Approved the addition of report and discussion proposal of 2020 regular shareholders' meeting

Matters and implementation of resolutions of shareholders' meeting in 2019:

Meeting	Date Convened	Major resolution	Status of execution
Shareholders' meeting	2019.06.19	(1) Approved the distribution of retained-earning for 2018. (2) Approved the amendment to the Company's Company Articles of Association. (3) Approved the operating report and financial statements for 2018. (4) By-election of one director and one supervisor. (5) Approved the amendment to the "Handling Procedures for Acquisition or Disposal of Assets" (6) Approved the amendment to the Company's "Endorsement/Guarantee Operating Procedures". (7) Approved the amendment to the Company's "Operation Procedures of Capital Loan to Others" (8) Approved lifting of the new director's non-competition clause	The resolution was approved and implemented in accordance with the resolution of the shareholders' meeting. The distribution was conducted on September 4, 2019. The resolution was approved and the registration of change was approved on July 8, 2019 by the HsinChu Science Park Administration of the Ministry of Science and Technology. Resolution passed. The resolution was approved and the registration of change was approved on July 8, 2019 by the HsinChu Science Park Administration of the Ministry of Science and Technology. Resolution passed. Implemented pursuant to the amended regulations. Resolution passed. Implemented pursuant to the amended regulations. Resolution passed. Implemented pursuant to the amended regulations. Resolution passed. Implemented pursuant to the amended regulations.

(XII) Major issues of record or written statements made by any Director or Supervisor dissenting to important resolutions passed by the Board of Directors: None.

(XIII) Resignation or dismissal of the Company's Chairman, General Manager, and Heads of accounting, finance, internal audit, corporate governance and R&D: None.

V. Information Regarding Audit Fee

(I) Information regarding audit fee

Unit: NT$ thousand

CPA firm	CPAs	Audit fee	Non-audit fee					Audit period	Note
			System design	Business registration	Human resource	Other	Sub-total		
KPMG Taiwan	Wan-Yuan Yu	2,800	0	0	0	0	0	108.01.01 ~ 108.12.31	
	Grace Lu								
	Wan-Yuan Yu	0	0	0	0	380	380	-	NT$380,000 for taxation declaration and certification

(II) Where the Company changed the accounting firm and the audit fees paid for the year of change was less than that of the prior year, the amount of audit fees before and after the change and reasons shall be disclosed: None.

(III) Where accounting fee paid for the current year was more than 10% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

VI. Change of Independent Auditors: None.

VII. Where the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting who has held a position in the accounting firm or its affiliated company within the past year, the name, position, and period shall be disclosed: None.

VIII. The Status Involving Share Transfers and Changes in Equity Pledges of the Directors, Supervisors, Managerial Officers, and Shareholders who Hold More Than 10% of Shares, from the Past Year up to the Publication Date of the Annual Report:

(I) Share changes by directors, supervisors, managers, and major shareholders

Unit: Share

Title	Name	2019		As of April 30, 2020	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman	INPAQ Technology Co., Ltd.	0	0	0	0
	Legal representative: Tun-Jen Cheng	758,000	0	0	0
Director and CEO	Ching-Feng Lin	500,000	350,000	0	0
Director and General Manager	Hsi-Tung Lin	0	0	0	0
Director and major shareholder	Huacheng Venture Capital Co., Ltd.	0	0	0	0
	Legal representative: Hsien-Yueh Hsu	0	0	0	0
Director	Fu-Tsan Tsai (Note 1)	0	0	0	0
Director	Walsin Technology Corporation (Note 2)	0	0	0	0
	Legal representative: Jui-Jung Chang (Note 2)	0	0	0	0
Independent Director	Shu-Chien Liang	0	0	0	0
Independent Director	Nai-Ming Liu	0	0	0	0
Supervisor	Chin-Chang Yang	0	0	0	0
Supervisor	Chan-lieh Lin (Note 1)	0	0	0	0
Supervisor	Chang-Chia Wu	0	0	0	0
Supervisor	Fu-Tsan Tsai (Note 2)	0	0	0	
Vice General Manager of Marketing Division	Han-Yuan Lin	0	0	8,000	0
Vice General Manager of Overseas Business Division	Liong Chee Keong (Note3)	0	0	0	0
Vice General Manager of Administration Center	Fu-Jen Cheng	0	0	0	0
FAE assistance	Shih-Shan Liu	0	0	0	0
Head of R&D Division	Ming-Zung Chen	(1,000)	0	0	0
Head of QA Center and New Product Division	Ming-Ku Chien	0	0	0	0
Manager of the Finance Department	Pei-Ling Li	0	0	0	0

Note 1. Resigned on April 30, 2019, revealing only the share change as of the date of resign.

Note 2. Walsin Technology Corporation was elected as a director on June 19, 2019 through by-election and Mr. Jui-Jung Chang was appointed as the representative; Mr. Fu-Tsan Tsai was elected as a supervisor on June 19, 2019 through a by-election, revealing only the share change starting from the date of appointment.

Note 3. Resigned on July 1, 2019, revealing only the changes in equity until the departure date.

(II) Counterparty of equity transfer is a related party: None.

(III) Counterparty of equity pledge is a related party: N/A.

IX. Information on The Top 10 Shareholders of The Company Who Are Identified As Related Parties, Spouse or Relative Within The Second Degree Of Kinship:

April 19, 2020 Unit: Share

Name	Shareholding of shareholder		Spouse & minor shareholding		Total shareholding by nominees		If the top 10 shareholders have relations listed on No. 6 of Bulletin of Financial and Accounting Principles, or relations of spouse, or relatives within the second degree of kinship, indicate their names and relationships		Note
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Huacheng Venture Capital Co., Ltd.	10,668,012	12.62	N/A	N/A	0	0	Hua Min Venture Capital Co., Ltd.	They are both subsidiaries of ASUS Computer.	
Huacheng Venture Capital Co., Ltd. Representative: Chung-Tang Shih	0	0	0	0	0	0	Hua Min Venture Capital Co., Ltd.	Chairman of the company	
Prosperity Dielectrics Co., Ltd. Co., Ltd.	5,259,000	6.22	N/A	N/A	0	0	Walton Advanced Engineering Inc.	The Chairman is the same person	
							Walsin Technology		
							INPAQ Technology	Chairman of INPAQ Technology is the parent company of Prosperity Dielectrics	
Prosperity Dielectrics Co., Ltd. Co., Ltd. Representative: Yu-Heng Chiao	0	0	0	0	0	0	Walton Advanced Engineering Inc.	Chairman of the company	
							Walsin Technology		
INPAQ Technology Co., Ltd.	4,776,329	5.65	N/A	N/A	0	0	Prosperity Dielectrics	Chairman of INPAQ Technology is a subsidiary of Walsin Technology.	
							Tun-Jen Cheng	Director and of INPAQ Technology Co., Ltd.	
INPAQ Technology Co., Ltd. Representative: Walsin Technology Corporation	2,960,000	3.50	N/A	N/A	0	0	Prosperity Dielectrics	The Chairman is the same person	
							Walton Advanced Engineering Inc.		
Walton Advanced Engineering Inc.	4,591,000	5.43	N/A	N/A	0	0	Prosperity Dielectrics	The Chairman is the same person	
							Walsin Technology		

Name	Shareholding of shareholder		Spouse & minor shareholding		Total shareholding by nominees		If the top 10 shareholders have relations listed on No. 6 of Bulletin of Financial and Accounting Principles, or relations of spouse, or relatives within the second degree of kinship, indicate their names and relationships		Note
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Walton Advanced Engineering Inc. Representative: Yu-Heng Chiao	0	0	0	0	0	0	Prosperity Dielectrics	Chairman of the company	
							Walsin Technology		
Hua Min Venture Capital Co., Ltd.	3,210,015	3.80	N/A	N/A	0	0	Huacheng Venture Capital Co., Ltd.	They are both subsidiaries of ASUS Computer.	
Hua Min Venture Capital Co., Ltd. Representative: Chung-Tang Shih	0	0	0	0	0	0	Huacheng Venture Capital Co., Ltd.	Chairman of the company	
CHAINTECH Technology Corp.	3,050,000	3.61	N/A	N/A	0	0	None	None	
CHAINTECH Technology Corp. Representative: Kao, Shu-Jung	0	0	0	0	0	0	None	None	
Walsin Technology Corporation	2,960,000	3.50	N/A	N/A	0	0	INPAQ Technology	Walsin Technology is the chairman of INPAQ Technology	
							Yihong Venture Capital Co., Ltd.	Invested subsidiary of Walsin Technology using equity method valuation	
							Walton Advanced Engineering Inc.	The director is the same person	
							Prosperity Dielectrics		
Walsin Technology Corporation Representative: Yu-Heng Chiao	0	0	0	0	0	0	Walton Advanced Engineering Inc.	Chairman of the company	
							Prosperity Dielectrics		
Tun-Jen Cheng	2,799,358	3.31	338,573	0.40	0	0	INPAQ Technology	Director and of the company	
							Chiao-Fang Cheng	Relative within second-degree of kinship	

Name	Shareholding of shareholder		Spouse & minor shareholding		Total shareholding by nominees		If the top 10 shareholders have relations listed on No. 6 of Bulletin of Financial and Accounting Principles, or relations of spouse, or relatives within the second degree of kinship, indicate their names and relationships		Note
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name	Relation	
Yihong Venture Capital Co., Ltd.	1,833,000	2.17	N/A	N/A	0	0	Walsin Technology	Invested subsidiary of the company using equity method valuation	
Yihong Venture Capital Co., Ltd. Representative: Wen-Chin Lu	0	0	0	0	0	0	None	None	
Fu Kai Investment Management and Consulting Co., Ltd.	1,526,000	1.81	N/A	N/A	0	0	None	None	
Fu Kai Investment Management and Consulting Co., Ltd. Representative: Chiao-Fang Cheng	509,307	0.60	0	0	0	0	Tun-Jen Cheng	Relative within second-degree of kinship	

X. Shares held by the Company, its Directors, Supervisors, managers, and businesses directly or indirectly controlled by the Company as a result of investment, and the ratio of consolidated shares held:

December 31, 2019 Unit: Thousand shares

Reinvestment (Note 1)	Investment by the Company		Directors, Supervisors, Managers and Directly or indirectly-controlled business investment		Total investment	
	Number of shares	%	Number of shares	%	Number of shares	%
APAQ Investments Limited	41,504	100%	0	0	41,504	100%
APAQ Electronic (Wuxi) Co., Ltd.	Note 2	100%	Note 2	0	Note 2	100%
APAQ Electronic (Hubei) Co., Ltd.	Note 2	100%	Note 2	0	Note 2	100%
Shenzhen Gather Electronics Science Co., Ltd.	Note 2	35%	Note 2	0	Note 2	35%

Note 1. Invested by the Company using the equity method

Note 2. The company is a limited company with no share issued.

Chapter 4. Funding Status

I. Capital and Shares

(I) Sources of capital

May 6, 2020 Unit: Share; NT$

Year and month	Issue price	Authorized capital		Paid-up share capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increase by assets other than cash	Other
2005.12	10	60,000,000	600,000,000	500,000	5,000,000	Establishment	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09433433750 issued on December 27, 2005
2006.6	10	60,000,000	600,000,000	3,000,000	30,000,000	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09532265240 issued on June 2, 2016
2006.6	12	60,000,000	600,000,000	19,021,000	190,210,000	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09532262450 issued on June 2, 2016
2007.1	13	60,000,000	600,000,000	20,521,000	205,210,000	Capital increase	Technology price NT$15,000,000	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09631521190 issued on January 5, 2017
2007.10	10	60,000,000	600,000,000	30,521,000	305,210,000	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09632914170 issued on October 22, 2007
2008.10	10	60,000,000	600,000,000	48,521,000	485,210,000	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09733285520 issued on October 20, 2008
2009.11	15	60,000,000	600,000,000	58,521,000	585,210,000	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-09801265660 issued on November 20, 2009
2011.10	10	60,000,000	600,000,000	58,970,875	589,708,750	Recapitalization of retained earnings	Dividend and bonus NT$4,498,750	Approved by the Ministry of Economic Affairs Letter No. Economic-Central-

Year and month	Issue price	Authorized capital		Paid-up share capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increase by assets other than cash	Other
								0001230920 issued on October 7, 2011
2012.11	10	100,000,000	1,000,000,000	63,290,126	632,901,260	Recapitalization of retained earnings	Dividend and bonus NT$43,192,510	Approved by the Ministry of Economic Affairs Letter No. Economic-Commerce-10101219470 issued on November 8, 2012
2014.2	10	100,000,000	1,000,000,000	65,070,126	650,701,260	Issue of new shares by conversion of employee stock options	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Commerce-10301021450 issued on February 10, 2014
2014.2	10	100,000,000	1,000,000,000	66,290,126	662,901,260	Issue of new shares by conversion of employee stock options	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Commerce-10301022910 issued on February 11
2014.12	32	100,000,000	1,000,000,000	73,190,126	731,901,260	Capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Economic-Commerce-10301268970 issued on December 30, 2014
2018.03	10	150,000,000	1,500,000,000	76,094,700	760,947,000	Issue of new shares by conversion of convertible bond	None	Approved by the Ministry of Economic Affairs Letter No. Hsinchu-Commerce-1070006900 issue on March 6, 2018
2018.05	10	150,000,000	1,500,000,000	86,104,150	861,041,500	Issue of new shares by conversion of convertible bond and capital increase by cash	None	Approved by the Ministry of Economic Affairs Letter No. Hsinchu-Commerce-1070015421 issued on May 28, 2018
2018.09	10	200,000,000	2,000,000,000	86,493,651	864,936,510	Issue of new shares by conversion of convertible bond	None	Approved by the Ministry of Economic Affairs Letter No. Hsinchu-Commerce-1070026345 issued on September 10, 2018
2018.12	10	200,000,000	2,000,000,000	84,441,912	844,419,120	Cancellation of treasury stock and issue of new shares by conversion of convertible bond	None	Approved by the Ministry of Economic Affairs Letter No. Hsinchu-Commerce-1070036633 issued

Year and month	Issue price	Authorized capital		Paid-up share capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Capital increase by assets other than cash	Other
								on December 12, 2018
2020.04	10	200,000,000	2,000,000,000	84,524,751	845,247,510	Issue of new shares by conversion of convertible bond	None	Approved by the Ministry of Economic Affairs Letter No. Hsinchu-Commerce-1090010329 issued on April 16, 2020

Share type	Authorized capital			Note
	Issued shares	Unissued shares	Total	
Ordinary shares	84,524,751	115,475,249	200,000,000	Public shares

(II) Shareholder structure

April 19, 2020 Unit: Share

Shareholder structure / QTY	Government agencies	Financial institutions	Other juristic persons	Individual	Foreign institutions & natural persons	Total
Number	0	1	126	9,718	19	9,864
Number of shares held	0	1,347,875	41,703,961	39,973,893	1,499,022	84,524,751
Shareholding ratio %	0	1.60	49.34	47.29	1.77	100

(III) Shareholding distribution status

April 19, 2020 Unit: share

Shareholding range	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	4,326	107,069	0.13
1,000 to 5,000	4,455	8,656,635	10.24
5,001 to 10,000	539	4,249,432	5.03
10,001 to 15,000	149	1,858,930	2.20
15,001 to 20,000	115	2,121,515	2.51
20,001 to 30,000	89	2,257,339	2.67
30,001 to 40,000	37	1,337,642	1.58
40,001 to 50,000	31	1,481,274	1.75
50,001 to 100,000	54	3,826,505	4.53
100,001 to 200,000	21	3,148,926	3.73
200,001 to 400,000	25	6,886,178	8.15
400,001 to 600,000	10	4,880,717	5.77
600,001 to 800,000	1	690,000	0.82
800,001 to 1,000,000	0	0	0
1,000,001 or more	12	43,022,589	50.89
Total	9,864	84,524,751	100.00

(IV) List of major shareholders

Name, number of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the 10 largest shareholders:

April 19, 2020 Unit: Share

Shares / Name of major shareholders	Number of shares held	Shareholding ratio (%) (Note)
Huacheng Venture Capital Co., Ltd.	10,668,012	12.62
Prosperity Dielectrics Co., Ltd.	5,259,000	6.22
INPAQ Technology Co., Ltd.	4,776,329	5.65
Walton Advanced Engineering Inc.	4,591,000	5.43
Hua Min Venture Capital Co., Ltd.	3,210,015	3.80
CHAINTECH Technology Corp.	3,050,000	3.61
Walsin Technology Corporation	2,960,000	3.50
Tun-Jen Cheng	2,799,358	3.31
Yihong Venture Capital Co., Ltd.	1,833,000	2.17
Fu Kai Investment Management and Consulting Co., Ltd.	1,526,000	1.81

(V) Market price per share, net value, surplus, capital bonus and related information in the most recent two years

Year / Item			2018	2019	As of March 31, 2020
Market price per share	Highest		82.4	42.3	41.15
	Lowest		28.05	27	19.8
	Average		51.35	35.81	32.99
Net worth per share	Before distribution		23.31	23.25	23.21
	After distribution		22.07	N/A	N/A
Earnings per share (NT$)	Weighted average number of shares (thousand shares)		81,410	83,959	84,523
	Earnings per share before restrospective adjustment		2.24	1.66	0.30
	Earnings per share after restrospective adjustment		N/A	N/A	N/A
Dividends per share	Cash dividends		0.98510218	1 (Note 4)	N/A
	Free allotment	Dividends from retained earnings	0	0	N/A
		Dividends from capital surplus	0	0	N/A
	Accumulated undistributed dividend		0	0	N/A
Return on investment	Price /Earnings ratio (Note 1)		22.92	21.57	N/A
	Price /Dividend ratio (Note 2)		51.35	35.81	N/A
	Cash Dividend Yield (%) (Note 3)		1.92	2.79	N/A

Note 1. Price /Earnings ratio = Average closing price for each share for the year/Earnings Per Share

Note 2. Price/Dividend ratio = Average closing price for each share for the year/cash dividend per share

Note 3. Cash dividend yield = Cash dividends per share/average closing price per share for the year.

Note 4. The Company's 2019 earnings distribution has been approved by the Board of Directors but to be resolved in the shareholders' meeting.

(VI) The Company's dividend policy and implementation status:

1. Dividend Policy

According to the Articles of Association of the Company, the industry is changeable, capital-intensive, and technology-intensive. The corporate life cycle is in a stable growth of operation. It is necessary to adopt the residual dividend policy at this stage in order to retain surplus funds to meet the needs of operation growth and investment. Dividends to shareholders shall be distributed not less than 10% of the distributable earnings of the current year in the form of cash or shares, in which the cash dividend shall not be less than 10% of the total amount.

2. Dividend distribution proposal of the year

   Approved by the Board of Directors on May 6, 2020, the Company plans to submit the resolution of regular shareholders' meeting on June 17, 2020 with shareholders' cash dividend being NT$84,524,751 and NT$1 for each share.

3. Anticipated Changes in Dividend Policy: None.

(VII) The impacts of issuing stock grants in the shareholder's meeting on the Company's operational performance and dividend per share: Not applicable. No stock grants issuance occur.

(VIII) Compensation of employees, Directors and Supervisors:

1. The Company shall appropriate no less than 8% of current year profit as employee bonuses by cash or shares upon approval of the Board of Directors. Employee bonuses may be issued to employees in affiliate companies that meet certain criteria. The Company may appropriate no more than 3% of the above profit as Directors' remuneration upon approval of the Board of Directors. Distribution of remuneration to employees, directors, and supervisors shall be reported to the shareholders' meeting.

   However, the Company shall reserve sufficient amount to compensate its accumulated deficits in advance before appropriating the remuneration of employees, directors, and supervisors according to the previous ratio.

2. The basis for estimating the number of employees, directors, and supervisors' remuneration, for calculating the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

   The Company made a profit of NT$193,288,069 in 2019. Multiplied by the distribution percentage determined by the management authority in accordance with the Company's Articles of Association and taking into account the overall operating structure and industrial distribution level, the amount of remuneration to be distributed to employees is NT$16,437,102, and the remuneration to directors and supervisors is NT$4,834,442. Where employees are paid in shares, the number of shares to be distributed will be calculated according to the closing price of ordinary shares on the day before the Board of Directors' resolution. There is no difference with the estimated amount of the recognized expenses in the year.

3. Information on any approval by the Board of Directors of distribution of

remuneration:

(1) If there is any difference between the remuneration of employees and that of directors and supervisors distributed in cash or stock and the annual estimated amount of recognized expenses, the number of differences, reasons and treatment shall be disclosed: The Company's board of directors decided on March 24, 2020 that there is no difference with the estimated amount as follows.

Allocation items	Estimated amount	Distributed amount
Remuneration of employees	NT$16,437,102	NT$16,437,102
Remuneration of directors and supervisors	NT$4,834,442	NT$4,834,442
Total allocation	NT$21,271,544	NT$21,271,544

(2) The amount of employees' remuneration distributed by shares and the proportion of the total amount of net profit after tax and employees' remuneration in individual or individual financial reports in the current period: The Company approved a resolution on March 24, 2020 that all employees should be paid in cash, so it is not applicable.

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and Directors (including the number and total amount of shares distributed, as well as share price) and the recognized amount of remuneration of employees and Directors in the previous fiscal year, the amount, causes and treatment of such discrepancies should be stated. : The Company approved the resolution of the Board of Directors on March 21, 2019 and submitted the following report to the shareholders' meeting on June 19, 2019. There is no difference with the proposed allotment approved by the original Board of Directors.

Allocation items	Resolved amount	Note
Remuneration of employees	NT$ 20,597,489	Cash
Remuneration of directors and supervisors	NT$6,058,085	Cash
Total allocation	NT$26,655,574	

(IX) Redemption of the Company's own shares

1. Redemption of the Company's own shares (redeemed)

May 6, 2020

Number of redemption	2nd issuance
Purpose of redemption	Shares Transferred to Employees
Duration of redemption (Note 1)	November 13, 2018 to January 7, 2019
Interval price of redemption (Note 2)	NT$20.97 to NT$48.25
Type and quantity of shares repurchased	1,258,000 ordinary shares
Number of shares repurchased	NT$38,054,753
Percentage of repurchased amount to the amount to be repurchased (%)	62.9
Number of retired and transferred shares	1,258,000 shares
Cumulative number of shares held in the Company	0 shares
Proportion of cumulative number of shares held in the Company to total number of shares issued (%)	0

Note 1. Duration of actual redemption.

Note 2. Interval price to be redeemed.

Redemption of Company Share (under redemption): None.

II. Handling Status of Corporate Bond

<table>
<tr><th colspan="2">Type of corporate bond</th><th>First domestic unsecured convertible bond (matured and repaid on March 1, 2020)</th><th>Second domestic unsecured convertible bond</th></tr>
<tr><td colspan="2">Date of issuance</td><td>March 1, 2017</td><td>April 27, 2018</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and transaction</td><td>Republic of China</td><td>Republic of China</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued at par value</td><td>Issued at par value</td></tr>
<tr><td colspan="2">Total</td><td>NT$300 million</td><td>NT$250 million</td></tr>
<tr><td colspan="2">Interest rate</td><td>0%</td><td>0%</td></tr>
<tr><td colspan="2">Term</td><td>Three years due on March 1, 2020</td><td>Three years due on April 27, 2021</td></tr>
<tr><td colspan="2">Guarantor</td><td>Not applicable due to the issuance of unsecured convertible bond.</td><td>Not applicable due to the issuance of unsecured convertible bond.</td></tr>
<tr><td colspan="2">Trustee</td><td>TAIPEI FUBON COMMERCIAL BANK CO., LTD.</td><td>Mega International Commercial Bank Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>Yuanta Securities Co., Ltd.</td><td>Yuanta Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified attorney</td><td>Attorney Sen-Jung Wang of Classic and Superior Law Firm</td><td>Attorney Sen-Jung Wang of Classic and Superior Law Firm</td></tr>
<tr><td colspan="2">Certified accountant</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Method of repayment</td><td>Unless the bondholders convert into ordinary shares of the Company in accordance with Article 10 of the Method of Transfer, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.</td><td>Unless the bondholders convert into ordinary shares of the Company in accordance with Article 10 of the Method of Transfer, or the Company redeems in advance or exercise redemption at securities firm in accordance with Article 18 of these Procedures, the Company will repay the converted bonds held by bondholders in cash in accordance with the denomination of the bonds when the Company's conversion of bonds expires.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>As of the date of publication of the annual report, the principal outstanding was NT$0.</td><td>As of the date of publication of the annual report, the principal outstanding was NT$250,000,000.</td></tr>
<tr><td colspan="2">Articles for redemption or early liquidation</td><td>According to Article 18 of Methods of Conversion</td><td>According to Article 18 of Methods of Conversion</td></tr>
<tr><td colspan="2">Restrictive covenants</td><td>None</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, and the results of corporate bond ratings</td><td>N/A</td><td>N/A</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Number of ordinary shares already converted (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the publication date of this annual report</td><td>As of the maturity date of March 1, 2020, the converted corporate bonds amounted to NT$298.7 million and applied for conversion of ordinary shares, with a total of 8,154,625 converted ordinary shares.</td><td>None.</td></tr>
<tr><td>Issuance and conversion (swap</td><td>Please refer to the Company's Regulations Governing the Issuance</td><td>Please refer to the Company's Regulations Governing the Issuance</td></tr>
</table>

Type of corporate bond		First domestic unsecured convertible bond (matured and repaid on March 1, 2020)	Second domestic unsecured convertible bond
	or subscription) methods	and Conversion of the First Unsecured Convertible Corporate Bonds.	and Conversion of the Second Unsecured Convertible Corporate Bonds.
Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks		No material impact	No material impact
Name of the commissioned custodian of exchangeable underlying		N/A	N/A

Type of corporate bond		First domestic unsecured convertible bond (matured and repaid on March 1, 2020)				Second domestic unsecured convertible bond		
Item / Year		2017	2018	2019	As of the maturity date of March 1, 2020	2018	2019	As of May 6, 2020
Market price of the convertible corporate bond	Highest	166	223	110.5	113.45	122.5	105	102
	Lowest	100.5	139.9	110.5	99.85	106.7	97.3	99.15
	Average	116.31	166.65	110.5	105.53	111.30	100.1	100.42
Conversion price		36.7 (Effective from July 26, 2017)	34.9 (Effective from September 8, 2018)	33.8 (Effective from August 21, 2019)		59.9 (Effective from September 8, 2018	58 (Effective from August 21, 2019)	
Issuance (placement) date and the conversion price on issuance		Issuance date: March 1, 2017 Conversion price on issuance: 38.7				Issuance date: April 27, 2018 Conversion price on issuance: 63		
Methods of fulfilling conversion obligations		Issuance of new shares						

III. Handling Status of Preferred Shares: None.

IV. Handling Status of Global Depository Shares: None.

V. Handling Status of Employee Stock Options: None.

VI. Handling Status of New Restricted Employee Shares: None.

VII. Handling Status of Issuance of new shares in connection with the merger or acquisition of other companies: None.

VIII. Implementation of Capital Utilization Plans: None.

Chapter 5. Operational Highlights

I. Company Business

(I) Business scope

1. Business Scope
   (1) The Company's business
      A. CC01080 Electronic Parts and Components Manufacturing
      B. CC01110 Computers and Computing Peripheral Equipment Manufacturing
      C. E603050 Automatic Control Equipment Engineering
      D. F401010 International Trade
      E. I501010 Product Design
      Research, development, manufacturing, and sales for the following products:
      Aluminum Solid Capacitor, Aluminum Liquid
      Electrolytic Capacitor and general electronic components
   (2) Operational Proportion of major products

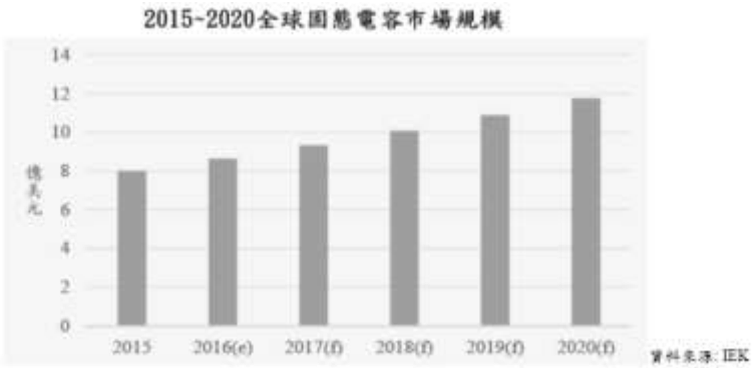
Unit: NT$ thousand

Year / Products	2018		2019	
	Net operating revenue	Proportion (%)	Net operating revenue	Proportion (%)
Coiled conductive polymer solid state capacitors	1,847,790	90.45	1,775,810	88.66
Chip-type conductive polymer solid state capacitors	195,030	9.55	227,031	11.34
Total	2,042,820	100.00	2,002,841	100.00

   (3) Current Commodities (Services) of the Company
      A. Coiled conductive polymer solid state capacitors
      B. Chip-type conductive polymer solid state capacitors
   (4) New Products (Services) Planned to Be Developed
      A. Coiled capacitors with high voltage and high reliability (for industrial power supply and server)
      B. High-capacity chip-type capacitor (for advanced drawing card and server)
2. Industry Overview
   (1) Industry Status and Development
   The Company mainly researches, develops, and sells solid-state capacitors. The rise of solid-state capacitors is mainly to solve the problem of explosicum of traditional aluminum electrolytic capacitors in case of high heat. It has long life and is suitable for application in a high-frequency environment. In downstream applications such as advanced mainboards, notebook computers, industrial computers, servers, VGA cards, game consoles, miniaturized adapters, chargers, etc., solid-state capacitors will gradually replace traditional liquid aluminum

electrolytic capacitors with improving efficiency and quality.

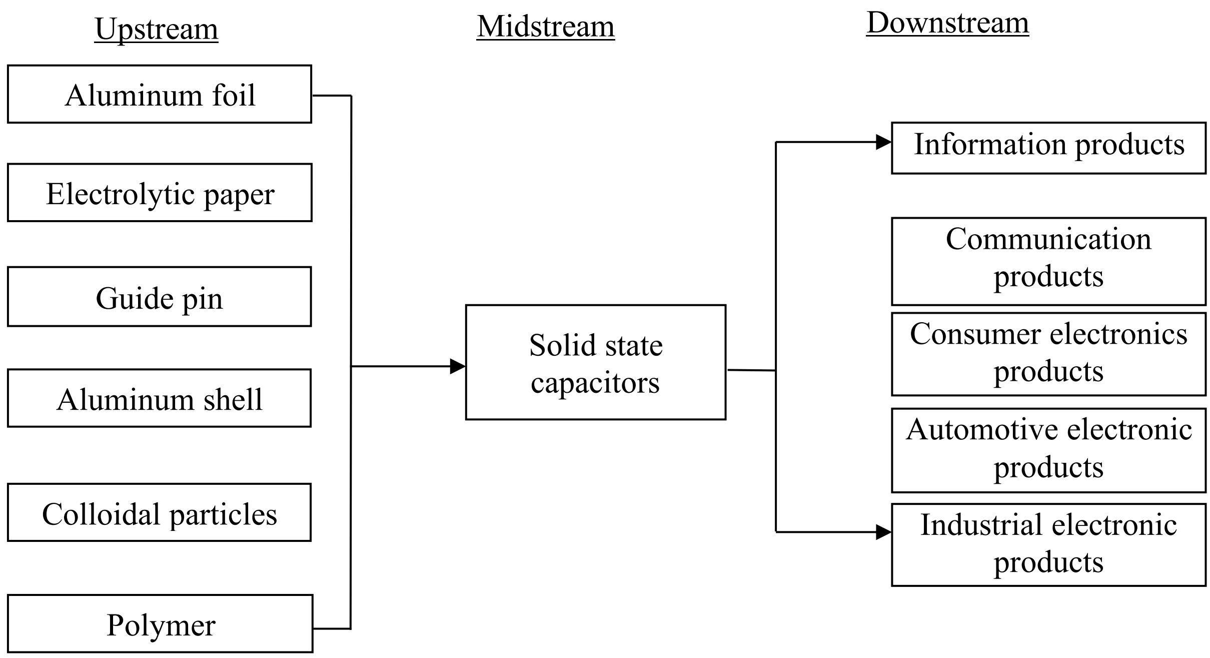
According to IEK of Industrial Technology Research Institute, the scale of global solid-state capacitor market is under slow expansion. With the price of traditional aluminum electrolysis capacitors close to the price of solid-state capacitors and increased permeability, the solid-state capacitor industry has a predictable prospect.



Global Solid-State Capacitor Market Scale from 2015 to 2020	Data from IEK

(2) The Relevance of Upstream, Midstream and Downstream Industry

The main upstream raw materials of solid-state capacitors are aluminum foil, electrolytic paper, guide pins, aluminum shells, colloidal particles, and polymers, while the downstream users are information products, communication products, consumer electronic products, automotive electronic products, and industrial electronic products.



(3) Development trends and competitive situations of Industry

Solid-state capacitor manufacturers are mainly in Japan, Taiwan, South Korea, and Mainland China. Originally Japanese manufacturers were the industry leaders, but in recent years they have been caught up by Taiwanese manufacturers. Japanese manufacturers have gradually ceded the market due to insufficient price competitiveness.

Solid-state capacitors are mainly used in PC-related products. Due to the slight decline of PC, the demand for solid-state capacitors in PC products has also decreased. However, with the continuous expansion of cloud and network markets, the demand for miniaturized adapters, chargers, servers, and express computing will keep the solid-state capacitor market growing gradually.

3. Research and Development

(1) Technical Level of the Company's Business and R&D Development

The Company continues to develop solid-state capacitor products, including solid-state capacitors with high voltage (> 35V), capacitors with high reliability and resistance to environmental climate. In addition, the Company has cooperated with ITRI, academic fields and major international factories to enhance the Company's R&D capability and the development and application of new technologies.

(2) The annual expenses on R&D invested in the past five years and technologies or products successfully developed

A. The annual expenses on R&D invested in the past five years

Unit: NT$ thousand

Item \ Year	2015	2016	2017	2018	2019
R&D expenses	73,339	82,180	71,058	54,787	54,256
Net operating revenue	1,452,184	1,653,022	1,941,720	2,042,820	2,002,841
Percentage Accounting for Net Revenue (%)	5.05	4.97	3.66	2.68	2.71

B. Research and Development Achievements:

Year	Name or Project of Product and Technology
2000	1. Coiled solid capacitors: 25V 2. V Chip solid capacitors: AVEA series in 6ϕ 3. Chip-type solid capacitor: ACAS series in 2.5V and 100uF
2011	1. Coiled solid capacitors: AR5K series with high reliability 2. V Chip solid capacitor: AVEC series with low impedance (10mΩ) 3. Chip-type solid capacitor: ACAS series in 2V and 220uF
2012	1. Coiled solid capacitors: solid capacitor with high voltage (35V, 50V) 2. Chip-type solid capacitor: ACAM series of M size 3. Chip-type solid capacitor: ACAS series in 2V and 330uF
2013	1. Coiled solid capacitors: solid capacitor with high voltage (63V) 2. V Chip solid capacitor: solid capacitor with low back (4.5mm high) 3. V Chip solid capacitor: solid capacitor with high voltage (25V and 6 mm high)
2014	1. V Chip solid capacitor: solid capacitor with high voltage and low back (4.5mm high and 25V) 2. Chip-type solid capacitor: ACAH series in 2V and 470uF
2015	1. AREP series of solid capacitor dedicated for coiled power supply 2. Chip-type solid capacitor with low resistance: ESR=4.5mΩ
2016	1. AREP series of coiled solid capacitor with high voltage (25V~100V)

Year	Name or Project of Product and Technology
	2. hrs series of chip-type solid capacitor with high reliability in 125°C and 1k
2017	ARHT series of coiled solid capacitor with high reliability (125°C 2k hrs)
2018	Development of high voltage (above 16V) chip-type solid capacitors

4. Long-term and Short-term Business Development Plan

(1) Short-term development plan

A. Marketing Strategy

a. Strengthen product development and after-sales service to consolidate existing customers.

b. Promote the development and in-depth cultivation of regional markets.

c. Lock in the new application market, actively collect market information and develop new customers.

d. Regularly visit to customers to strengthen the cooperative relationship between the two parties.

B. Production, R&D, and product development direction

a. Improve capacity utilization and reduce costs.

b. Actively introduce and cultivate R&D and project management talents to extend the technical field and accelerate the product development speed.

c. Develop products close to customers and market demands.

C. Operation management policy

a. Stabilize the source of raw materials and Strengthen supply chain management

b. Enhance quality control system, continuously improve product quality, and strengthen customer service.

c. Make good use of information management system to improve the Company's operating performance.

(2) Long-term development plan

A. Marketing Strategy

a. Consolidate current major customers and expand cooperation in product lines.

b. Establish strategic partnership.

B. Production, R&D, and product development direction

a. Integrate process management to improve production performance and yield.

b. Continue to develop talents and upgrade technology in R&D.

c. Expand product applications and lead the development of new products and services

C. Operation management policy

a. Vertically integrate technology and manufacturing capabilities to provide customers with all-round services.

b. Further expand the enterprise territory through capital market financing.

II. Overview of Marketing and Production & Sales, Business

1. Market Analysis

(1) Main product sales area

Geographic Distribution \ Year	2018		2019	
	Amount	%	Amount	%
Internal sales	22,645	1.11	33,303	1.66
Export sales - Asia	2,020,175	98.89	1,969,538	98.34
Total	2,042,820	100.00	2,002,841	100.00

Note: The above classification is based on the destination of the products.

(2) Market share

The Company and its subsidiaries are mainly engaged in the research, development, design, manufacturing, and sales of solid-state capacitors. At present, its main competitors include more than 10 manufacturers such as Chemicon, Nichicon, Panasonic, Elite and OC Con. The Company has gradually expanded its production capacity and market share. Currently, it has been the largest supplier of coiled solid-state capacitors in the world with a leading position in the solid-state capacitor industry.

(3) Future market demand and supply status and growth

According to statistics, the shipment of global personal computer (PC) has declined for seven consecutive quarters and the computer industry has faced a period of stagnation. Despite the stagnation of traditional 3C industry faced by passive component factories, the future growth of the market will come from the growth of cloud and network applications, including miniaturized adapters, chargers, servers, express computing, automotive and net communication products, etc.

Solid-state capacitors have the characteristics of long life, small volume, and high-temperature resistance. In the long run, the application of solid-state capacitors will greatly increase the permeability as the price gradually approaches the traditional aluminum electrolytic capacitors, which will be the driving force for market growth in the next few years. Moreover, with less competitiveness in production costs, Japanese manufacturers gradually abandon the medium and high-end markets but focus on the high-end markets. In addition, fast charging function for smartphones greatly improves, which increases the usage of solid-state capacitors, giving the Company an opportunity to continuously expand the market share.

(4) Competitive niche

A. Experienced management team

B. Long-term management of customer relationship

C. Accumulated manufacturing experience and internal management

(5) Favorable Factors and Unfavorable Factors of the Development Prospect and Countermeasures

A. Favorable factors

a. It is not easy for competitors to gain access to customers in DT, NB, and Server factories.

b. Outstanding R&D and project management teams continuously develop and manufacture products with excellent quality to meet customer requirements.

B. Unfavorable factors

a. Prices of raw materials has risen.

Countermeasures:

In addition to maintaining good interaction and close contacts with suppliers to ensure the stability of the existing supply, the Company is also actively developing new material formulas and alternative raw materials to reduce its dependence on high-priced raw materials.

b. Development of domestic and foreign competitors

Countermeasures:

Strengthen R&D capacity and production capacity, develop differentiated products, establish partnerships with customers, increase market share of products, and expand distance and competitiveness with competitors.

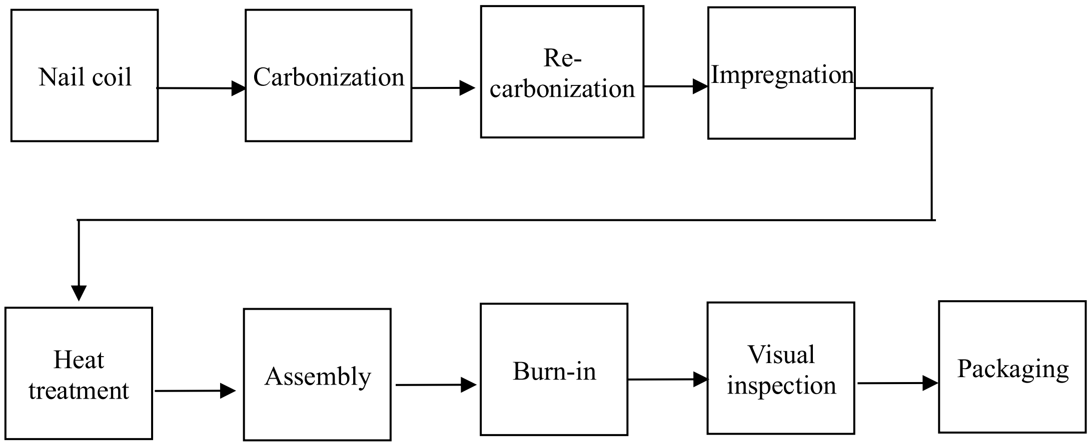
2. Major applications and production process of the main products

(1) Usage of main products

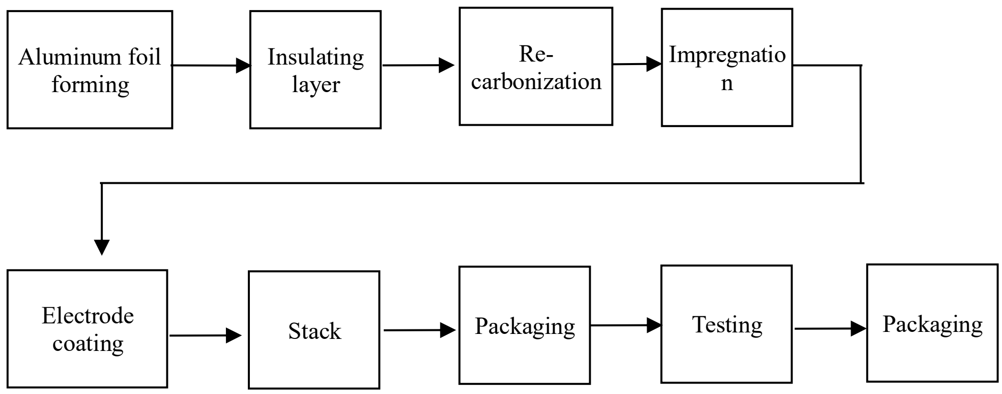
Main products	Important use
Coiled conductive polymer solid state capacitors	For stabilivolt application of power on MB, VGA, NB, Server and HPC
Chip-type conductive polymer solid state capacitors	For stabilivolt application of power on MB, VGA, NB, Server and HPC

(2) Manufacturing processes of main products

A. Coiled conductive polymer solid state capacitors



B. Chip-type conductive polymer solid state capacitors



3. Supply Status of Main Materials

Name of raw materials	State of supply
Aluminum foil	Stable and sound
Electrolytic paper	Stable and sound
Guide pin	Stable and sound
Colloidal particles	Stable and sound
Aluminum shell	Stable and sound
Polymer monomer	Stable and sound
Polymer oxidizing agent (ferrite)	Stable and sound
Carbon colloids	Stable and sound
Silver colloids	Stable and sound
Packaging colloids	Stable and sound
Lead frame	Stable and sound

4. List of Major Customers of Import and Sales

(I) Names of suppliers that accounted for more than 10% of the total purchase amount in any of the last two years, their purchase amounts and ratios, and the reasons for the increase or decrease.

Unit: NT$ thousand

	2018				2019				As of 1st quarter of 2020			
Item	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer
1	Topglow Trading	192,629	18.01	None	Topglow Trading	17,903	2.71	None	Topglow Trading	0	0	None
2	LITON Huizhou	97,371	9.11	None	LITON Huizhou	77,141	11.68	None	LITON Huizhou	20,044	12.52	None
3	Kohoku Opto-Electronics	65,409	6.12	None	Kohoku Opto-Electronics	67,734	10.26	None	Kohoku Opto-Electronics	11,047	6.90	None
4	Yu Hua New Material	0	0	None	Yu Hua New Material	35,761	5.42	None	Yu Hua New Material	21,070	13.16	None
5	Other	713,958	66.76	None	Other	461,751	69.93	None	Other	107,924	67.42	None
	Net purchase	1,069,367	100.00		Net purchase	660,290	100.00		Net purchase	160,085	100.00	

Reason for increase or decrease: Adjustment of suppliers proportion.

(II) Names of clients that accounted for more than 10% of the total sales amount in any of the last two years, their sales amounts and ratios, and the reasons for the increase or decrease.

Unit: NT$ thousand

Item	2018				2019				As of 1st quarter of 2020			
	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer
1	ASUS	304,076	14.89	Affiliate	ASUS	316,723	15.81	None (Note)	ASUS	67,664	16.98	None (Note)
2	Shunhe	302,149	14.79	None	Shunhe	87,059	4.35	None	Shunhe	14,824	3.72	None
3	GIGABYTE	227,099	11.12	None	GIGABYTE	151,587	7.57	None	GIGABYTE	49,116	12.32	None
6	Other	1,209,496	59.20	None	Other	1,447,472	72.27	None	Other	266,910	66.98	None
	Net sales	2,042,820	100.00		Net sales	2,002,841	100.00		Net sales	398,514	100.00	

Note: Since there is no longer a single major shareholder of the Company, the Company has assessed that it is no longer a related party since January 1, 2019.

Reason for the increase or decrease: Due to the decrease in demand from HPC customers, the sales volume of Shunhe has decreased.

5. Production value table of the most recent two years

Unit: One thousand pcs, NT$ thousand

Year / Production / Primary commodity (Or Department)	2018			2019		
	Capacity	Volume	Value	Capacity	Volume	Value
Coiled conductive polymer solid state capacitors	2,364,000	2,026,600	1,567,041	1,991,000	1,693,167	1,276,896
Chip-type conductive polymer solid state capacitors	132,000	111,781	285,647	115,000	99,827	330,961
Total	2,496,000	2,138,381	1,852,688	2,106,000	1,792,994	1,607,857

Reasons for changes in the number: Due to the plummeting PC demand in the first half of 2019, the overall revenue fell. To obtain more orders, product specifications are more complicated, which has caused the complex specification in manufacturing. Hence, the time for changing machines increased, and productivity decreased.

6. Sales volume & value of the most recent two years

Unit: One thousand pcs, NT$ thousand

Year / Sales volume and value / Primary commodity	2018				2019			
	Internal sales		External sales		Internal sales		External sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Coiled conductive polymer solid state capacitors	13,521	21,904	1,680,031	1,825,886	19,338	30,840	1,632,630	1,744,970
Chip-type conductive polymer solid state capacitors	179	741	72,977	194,289	750	2,463	89,191	224,568
Total	13,700	22,645	1,753,008	2,020,175	20,088	33,303	1,721,821	1,969,538

Reasons for changes in the number: No material difference.

III. Number of Employees Employed during the Most Recent Two Years and Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

Year		2018	2019	As of April 30, 2020
Number of employees	R&D Department	42	44	47
	Business and Administrative Department	87	114	120
	Direct personnel	219	217	245
	Total	348	375	412
Average age		33.8	29.5	30.4
Average year of services		3.15	2.7	2.6
Academic distribution ratio	Ph.D.	1%	1%	1%
	Master	6%	6%	5%
	Junior college	28%	28%	30%
	High school	38%	39%	39%
	Below high school	27%	26%	25%

IV. Information on Environmental Protection Expenditure

1. The total amount of losses incurred due to environmental pollution in the most recent fiscal year and up to the date of publication of the annual report (including compensation and violations of environmental regulations, which shall state the penalty date, letter number, breached articles, breached article content, and the penalty content): The Company has not suffered any losses or penalties due to environmental pollution in the most recent fiscal year and up to the date of publication of the annual report.
2. Countermeasures and estimated amount that may occur at present or in the future, if the estimation cannot be reasonably made, its fact and reason shall be stated: The Company has no coping strategies and possible expenditures in the most recent fiscal year and up to the date of publication of the annual report because there are no losses and disposals of pollution-free environment.

V. Labor Relations

1. Various employee benefits of the Company, further education, training, retirement system and its implementation status, as well as the agreements between the employees and various employee rights protection measures:

(1) Employee benefits:

A. Welfare provided by the Company: In addition to labor insurance and national health insurance, employees are entitled to undertake free group insurance, travel insurance, year-end bonus, etc. as well as free health examination provided every year.

B. Staff Welfare Committee: The Company has established a Staff Welfare Committee in accordance with the staff welfare regulations to coordinate various staff welfare, promote the establishment of associations and grant financial subsidies. Annual budget and welfare plan are prepared. In addition to various subsidies for the marriage, funeral, illness and childbirth of employees, there are birthday and annual festival gifts, and various travel activities are not regularly conducted to provide physical and mental relaxation for employees and strengthen the friendship among employees.

(2) Education and training

The Company has established employee education and training procedures to help new employees adapt to the working environment, improve their working skills and abilities, and cooperate with training related to employee career development planning to meet future needs.

(3) Employee retirement plan and implementation status:

In order to enable the employees of the Company to work at ease and maintain their life after retirement, the retirement of employees is handled in accordance with the Labor Pension Regulations and relevant regulations. All employees of the Company are appropriate for the new system of retirement from work. 6% of the personal salary is deposited into the special account for the personal pension of the labor insurance bureau. If the employee makes voluntary contribution, the amount of the contribution is also deposited into the same account.

(4) Labor-capital agreement and protection of employee's equities

The Company adheres to the concept of "integration of labor and capital", focuses on rational and humanized management, establishes smooth communication channels, maintains good relations between labor and capital, jointly creates productivity, shares profits, and establishes stable and harmonious labor-capital relations. All systems of the Company refer to labor-related laws and regulations such as the Labor Standards Act. Regular labor-management meetings are held to discuss and negotiate labor-related issues and promote a harmonious relationship between labor and management. Therefore, no major labor disputes occur in the most recent year and up to the date of publication of the annual report.

2. For the most recent year and up to the date of publication of the annual report, losses suffered as a result of labor disputes, and the estimated amount and countermeasures that may occur at present and in the future shall be disclosed (including compensation and violations of environmental regulations, which shall state the penalty date, letter number, breached articles, breached article content, and the penalty content). If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: For the most recent year and up to the date of publication of the annual report, the Company has not suffered any losses due to labor disputes. The Company has good labor relations, smooth communication between both parties, and extremely low possibility of future labor disputes, so there is no amount of losses that may occur in the future.

VI. Important Contracts: None.

Chapter 6. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Sheet in the Most Recent Five Years

(I) Condensed Balance Sheet and Comprehensive Income Sheet

Condensed Balance Sheet (Consolidated)

Unit: NT$ thousand

Item \ Year		Financial statements for the most recent five fiscal years (Note 1)					Financial statements as of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Current assets		1,347,149	1,602,599	1,829,641	2,156,964	2,157,422	2,070,931
Property, plant, and equipment		975,143	843,085	866,634	1,279,218	1,176,196	1,145,727
Intangible assets		0	2,369	46,413	41,630	37,259	37,048
Other assets		72,041	103,313	178,516	262,837	283,236	294,938
Total asset value		2,394,333	2,551,366	2,921,204	3,740,649	3,654,113	3,548,644
Current liabilities	Before distribution	1,088,428	1,232,031	1,256,698	1,550,718	1,431,964	1,317,765
	After distribution	1,201,532	1,359,273	1,412,906	1,633,902	(Note 3)	N/A
Non-current liabilities		10,942	1,090	183,640	243,018	257,162	268,863
Total liabilities	Before distribution	1,099,370	1,233,121	1,440,338	1,793,736	1,689,126	1,586,628
	After distribution	1,212,474	1,360,363	1,596,546	1,876,920	(Note 3)	N/A
Equity attributable to owners of parent Company		1,294,963	1,318,245	1,480,866	1,946,913	1,964,987	1,962,016
Share capital		731,901	731,901	760,947	844,419	845,011	845,248
Capital surplus		156,231	156,231	243,704	559,411	560,800	561,362
Retained earnings	Before distribution	438,025	529,731	591,589	622,179	680,939	706,265
	After distribution	324,921	402,489	435,381	538,995	(Note 3)	N/A
Other equities		40,092	(28,332)	(44,088)	(51,199)	(121,763)	(150,859)
Treasury stock		(71,286)	(71,286)	(71,286)	(27,897)	0	0
Non-controlling equity		0	0	0	0	0	0
Total equity	Before distribution	1,294,963	1,318,245	1,480,866	1,946,913	1,964,987	1,962,016
	After distribution	1,181,859	1,191,003	1,324,658	1,863,729	(Note 3)	N/A

Note 1. Audited and attested by CPA.
Note 2. Reviewed by CPA.
Note 3. Distribution of earnings for 2019 is subject to the resolution of the annual shareholders' meeting. Therefore, the amount after the distribution is not listed.

Condensed Comprehensive Income Sheet (Consolidated)

Unit: NT$ thousand, but the unit of earnings per share is NT$

Item \ Year	Financial statements for the most recent five fiscal years (Note 1)					Financial statements as of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Turnover	1,452,184	1,653,022	1,941,720	2,042,820	2,002,841	398,514
Gross profit	465,857	489,706	537,846	517,296	462,123	80,018
Operating profit (loss)	232,340	264,711	318,113	263,970	208,051	16,431
Non-operating income and expenses	27,862	(784)	(60,735)	(10,146)	(15,849)	15,690
Net profit before tax	260,202	263,927	257,378	253,824	192,202	32,121
Net income from continuing operations	207,910	204,810	189,100	182,343	139,071	25,326
Loss from discontinued operations	0	0	0	0	0	0
Net income (loss) in current period	207,910	204,810	189,100	182,343	139,071	25,326
Other comprehensive income in current period (Net amount after tax)	(15,044)	(68,424)	(15,756)	3,762	(67,691)	(29,096)
Total comprehensive income	192,866	136,386	173,344	186,105	71,380	(3,770)
Net income attributable to owners of parent Company	207,910	204,810	189,100	182,343	139,071	25,326
Net income attributable to Non-controlling equities	0	0	0	0	0	0
Comprehensive income (loss) attributable to owners of parent Company	192,866	136,386	173,344	186,105	71,380	(3,770)
Comprehensive income (loss) attributable to non-controlling equities	0	0	0	0	0	0
Earnings per share	2.87	2.90	2.67	2.24	1.66	0.30

Note 1. Audited and attested by CPA.

Note 2. Reviewed by CPA.

Condensed Balance Sheet (Individual)

Condensed Balance Sheet (Individual)

Unit: NT$ thousand

Item \ Year		Financial statements for the most recent five fiscal years (Note 1) 2015	2016	2017	2018	2019	Financial statements as of March 31, 2020 (Note 3)
Current assets		1,151,400	1,280,548	1,280,709	1,669,418	1,543,435	
Property, plant, and equipment		20,633	21,264	108,854	138,888	117,116	
Intangible assets		0	2,077	46,296	41,260	36,986	
Other assets		1,038,057	1,077,568	1,197,496	1,565,181	1,841,166	
Total asset value		2,210,090	2,381,457	2,633,355	3,414,747	3,538,703	
Current liabilities	Before distribution	904,185	1,062,122	968,849	1224,816	1,316,554	
	After distribution	1,017,289	1,189,364	1,125,057	1,308,000	(Note 2)	
Non-current liabilities		10,942	1,090	183,640	243,018	257,162	
Total liabilities	Before distribution	915,127	1,063,212	1,152,489	1,467,834	1,573,716	
	After distribution	1,028,231	1,190,454	1,308,697	1,551,018	(Note 2)	
Equity attributable to owners of parent company		1,294,963	1,318,245	1,480,866	1,946,913	1,964,987	
Share capital		731,901	731,901	760,947	844,419	845,011	
Capital surplus		156,231	156,231	243,704	559,411	560,800	
Retained earnings	Before distribution	438,025	529,731	591,589	622,179	680,939	
	After distribution	324,921	402,489	435,381	538,995	(Note 2)	
Other equities		40,092	(28,332)	(44,088)	(51,199)	(121,763)	
Treasury stock		(71,286)	(71,286)	(71,286)	(27,897)	0	
Non-controlling equity		0	0	0	0	0	
Total equity	Before distribution	1,294,963	1,318,245	1,480,866	1,946,913	1,964,987	
	After distribution	1,181,859	1,191,003	1,324,658	1,863,729	(Note 2)	

Note 1. Audited and attested by CPA.

Note 2. Distribution of earnings for 2019 is subject to the resolution of the annual shareholders' meeting. Therefore, the amount after distribution is not listed.

Note 3. N/A.

Condensed Comprehensive Income Sheet (Individual)

Unit: NT$ thousand, but the unit of earnings per share is NT$

Year / Item	Financial statements for the most recent five fiscal years (Note 1)					Financial statements as of March 31, 2020 (Note 2)
	2015	2016	2017	2018	2019	
Turnover	1,446,626	1,574,269	1,632,228	1,611,975	1,770,683	
Gross profit	243,908	288,584	292,869	370,847	235,411	
Operating profit (loss)	112,137	147,534	140,759	195,985	65,015	
Non-operating income and expenses	134,956	91,612	70,593	19,683	107,001	
Net profit before tax	247,093	239,146	211,352	215,668	172,016	
Net income from continuing operations	207,910	204,810	189,100	182,343	139,071	
Loss from discontinued operations	0	0	0	0	0	
Net income (loss) in current period	207,910	204,810	189,100	182,343	139,071	
Other comprehensive income in current period (Net amount after tax)	(15,044)	(68,424)	(15,756)	3,762	(67,691)	
Total comprehensive income	192,866	136,386	173,344	186,105	71,380	
Net income attributable to owners of parent company	207,910	204,810	189,100	182,343	139,071	
Net income attributable to non-controlling equities	0	0	0	0	0	
Comprehensive income (loss) attributable to owners of parent company	192,866	136,386	173,344	186,105	71,380	
Comprehensive income (loss) attributable to non-controlling equities	0	0	0	0	0	
Earnings per share	2.87	2.90	2.67	2.24	1.66	

Note 1. Audited and attested by CPA.
Note 2. N/A.

(II) Name of the CPA for the most recent year and audit opinions

Year	Accounting firm	CPAs	Audit opinion
2015	KPMG Taiwan	Mei-Yu Tseng and Grace Lu	Unqualified opinion
2016	KPMG Taiwan	Mei-Yu Tseng and Grace Lu	Unqualified opinion
2017	KPMG Taiwan	Wan-Yuan Yu and Grace Lu	Unqualified opinion
2018	KPMG Taiwan	Wan-Yuan Yu and Grace Lu	Unqualified opinion
2019	KPMG Taiwan	Wan-Yuan Yu and Grace Lu	Unqualified opinion

II. Financial Analysis in the Most Recent Five Years

(I) Financial analysis (consolidated)

Item analyzed (Note 3) / Year		Financial analysis for the most recent five fiscal years (Note 1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of liabilities to assets	45.91	48.33	49.30	47.95	46.22	44.71
	Long-term capital to property, plant and equipment	133.91	156.48	192.06	171.19	184.08	187.49
Solvency (%)	Current ratio	123.77	130.07	145.59	139.09	150.66	157.15
	Quick ratio	97.42	104.48	117.44	99.32	122.12	127.58
	Times interest earned	24.56	20.67	17.86	10.76	8.40	6.93
Operating ability	Receivables turnover rate (times)	2.75	2.54	2.39	2.84	2.73	1.91
	Average days for cash receipts	132.72	143.70	152.71	128.52	133.69	191.09
	Inventory turnover (times)	3.72	4.23	4.65	3.31	3.10	3.32
	Payables turnover rate (times)	4.62	5.10	4.55	5.52	6.16	4.73
	Average days for sale of goods	98.11	86.28	78.49	110.27	117.74	109.93
	Property, plant, and equipment Turnover (times)	1.56	1.81	2.27	1.90	1.61	1.33
	Total assets turnover rate (times)	0.61	0.66	0.70	0.61	0.54	0.44
Profitability	Return on asset (%)	9.23	8.70	7.32	6.03	4.26	1.37
	Return on equity (%)	16.08	15.67	13.51	10.63	7.11	5.15
	Net profit before tax to paid-up capital (%)	35.55	36.06	33.82	30.05	22.74	15.20
	Net profit ratio (%)	14.31	12.39	9.73	8.92	6.92	6.35
	Earnings per share (NT$)	2.87	2.90	2.67	2.24	1.66	0.30
Cash flow	Cash flow ratio (%)	29.78	10.06	22.37	8.79	27.46	9.53
	Cash flow adequacy ratio (%)	69.86	81.22	92.69	52.77	60.98	59.89
	Cash reinvestment ratio (%)	11.93	0.60	6.82	(0.68)	10.25	74.10
Leverage	Operating leverage	2.78	2.72	2.08	1.82	2.68	16.40
	Financial leverage	1.05	1.05	1.05	1.11	1.14	1.49

Description of reasons for changes to various financial ratios in the most recent two years: (analysis would not be required if the change is within 20%)
Rise of quick ratio: Mainly due to decrease of short-term borrowing.
Decreases in interest coverage ratio, return on asset (ROA), return on equity (ROE), ratio of pretax net income on paid-up capital, net profit margin, and earnings per share (EPS), and increase in operating leverage: Mainly due to yield rate issue of Intel and delivery shortage of CPU & Chipset in the first half of 2019, which led to the decrease of PC shipment; also mainly due to higher price of raw material in 2018 when raw material was in short supply, which led to an decrease in gross profit and profit loss.
Cash flow ratio and cash reinvestment ratio: Mainly due to an increase in net cash flows generated from operating activities.

Note 1. Audited and attested by CPA.
Note 2. Reviewed by CPA.
Note 3. The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net amount of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
   (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average collection days = 365/Receivables turnover rate.
   (3) Inventory turnover = Sales expense/Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average sales days = 365/Inventory turnover ratio.
   (6) Property, plant and equipment turnover＝Net sales／Average of property, plant and equipment, net
   (7) Total asset turnover ratio = Net sales/Average total PP&E value.
4. Profitability
   (1) Return on assets (ROA) = [Net income after income tax + Interest expenses * (1 - tax rate)]/Average total assets.
   (2) Equity remuneration rate = Net gain (loss) after tax/Average total equity value.
   (3) Net profit rate = Net gain (loss) after tax/Net sales.
   (4) Earnings Per Share (EPS) = (Gain (loss) attributable to the owner of the parent company - Dividend for preferred shares)/Weighted average of issued shares (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash from business activities/Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.
   (3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of PP&E + Long-term investments + Other non-current assets + Business capital). (Note 5)
6. Leverage
   (1) Operating leverage＝(Net sales－variable operating cost and expense)／Operating income (Note 6)
   (2) Financial leverage= Operating profit/(Operating profit - Interest expenditures).

Note 4. Special attention shall be paid to the following matters when using the formula of earnings per share above:
1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.

3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

Note 5. Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow to annual capital investment.
3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment value are measured at the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 6. Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, Special attention shall be paid to their reasonableness and consistency.

Financial Analysis (Individual)

Item analyzed (Note 4) / Year		Financial analysis for the most recent five fiscal years (Note 1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of liabilities to assets	41.40	44.64	43.76	42.98	44.47	
	Ratio of long-term capital to property, plant, and equipment	6,329.20	6,204.54	1,529.11	1,576.76	1,293.13	
Solvency (%)	Current ratio	127.34	120.56	132.18	136.29	117.23	
	Quick ratio	115.33	111.97	124.83	120.14	107.36	
	Times interest earned	49.46	34.57	17.73	17.06	11.05	
Operating ability	Receivables turnover rate (times)	2.76	2.52	2.36	2.81	3.03	
	Average days for cash receipts	132.24	144.84	154.66	129.89	120.46	
	Inventory turnover (times)	11.43	12.82	16.20	9.21	9.35	
	Payables turnover rate (times)	3.51	3.54	4.05	3.54	3.87	
	Average days for sale of goods	31.93	28.47	22.53	39.63	39.03	
	Turnover rate for property, plant, and equipment (times)	140.22	75.14	25.08	13.01	11.39	
	Total assets turnover rate (times)	0.66	0.68	0.65	0.53	0.50	
Profitability	Return on asset (%)	9.79	9.18	7.99	6.40	4.39	
	Return on equity (%)	16.08	15.67	13.51	10.63	7.11	
	Net profit before tax to paid-up capital (%)	33.76	32.67	27.77	25.54	20.35	
	Net profit ratio (%)	14.37	13.00	11.58	11.31	7.85	
	Earnings per share (NT$)	2.87	2.90	2.67	2.24	1.66	
Cash flow	Cash flow ratio (%)	13.44	0.00	8.04	37.28	0.00	
	Cash flow adequacy ratio (%)	113.12	95.83	86.33	110.13	99.01	
	Cash reinvestment ratio (%)	0.19	(4.82)	(1.76)	8.26	(2.14)	
Leverage	Operating leverage	1.66	1.58	1.65	1.05	1.34	
	Financial leverage	1.04	1.05	1.09	1.07	1.35	

Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)

The ratio of long-term capital to property, plant and equipment increased: Mainly due to the increase in retain earnings.

Decline in interest protection multiple: Mainly due to increase in interest cost.

Decreases in return on asset (ROA), return on equity (ROE), ratio of pretax net income on paid-up capital, net profit margin, earnings per share (EPS), operating leverage and financial leverage: Mainly due to yield rate issue of Intel and delivery shortage of CPU & Chipset in the first half of 2019, which led to the decrease of PC shipment; also mainly due to higher price of raw material in 2018 when raw material was in short supply, which led to an decrease in gross profit and profit loss.

The decrease of cash flow ratio and cash reinvestment ratio: Mainly due to a decrease in net cash flows generated from operating activities.

Note 1. Audited and attested by CPA.

Note 2. N/A.

Note 4. The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net amount of property, plant, and equipment.
2. Solvency
   (1) Current ratio = Current assets/Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
   (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average collection days = 365/Receivables turnover rate.
   (3) Inventory turnover = Sales expense/Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average sales days = 365/Inventory turnover ratio.
   (6) Property, plant and equipment turnover＝Net sales／Average of property, plant and equipment, net
   (7) Total asset turnover ratio = Net sales/Average total PP&E value.
4. Profitability
   (1) Return on assets (ROA) = [Net income after income tax + Interest expenses * (1 - tax rate)]/Average total assets.
   (2) Equity remuneration rate = Net gain (loss) after tax/Average total equity value.
   (3) Net profit rate = Net gain (loss) after tax/Net sales.
   (4) Earnings Per Share (EPS) = (Gain (loss) attributable to the owner of the parent company - Dividend for preferred shares)/Weighted average of issued shares (Note 5)
5. Cash flow
   (1) Cash flow ratio = Net cash from business activities/Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.
   (3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/(Gross amount of PP&E + Long-term investments + Other non-current assets + Business capital). (Note 6)
6. Leverage:
   (1) Operating leverage＝(Net sales－variable operating cost and expense)／Operating income (Note 7)
   (2) Financial leverage= Operating profit/(Operating profit - Interest expenditures).

Note 5. Special attention shall be paid to the following matters when using the formula of Earnings Per Share above:
1. The calculation shall be based on the weighted average quantity of common shares, instead of the number of shares outstanding as of the end of the year.
2. When calculating the weighted average shares after capital increase or treasury stock trades, their effective term shall be taken into consideration.

3. Where retained earnings or capital surplus are transferred to common stocks, retrospective adjustment shall be made in proportion to the quantity of shares issued in calculating the semiannual or annual EPS of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (whether it is being distributed or not) shall be subtracted from net profit after income tax or added to net loss after income tax. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after income tax if net profit after income tax is earned, or no adjustment is required if loss arises.

Note 6. Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the cash outflow to annual capital investment.
3. The increase in inventory is included only when the balance at the end of the period is larger than the balance at the beginning of the period. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividends paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment value are measured at the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 7. Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

III. Supervisors' Review Report of Financial Report in the Most Recent Year

APAQ Technology Co., Ltd.
Supervisor's Review Report

The Board of Directors hereby prepares and submits the Company's 2019 Business Report, Consolidated Financial Reports, Individual Financial Reports and the Proposal of the Earnings Distribution Statement, in which the Consolidated Financial Reports and Individual Financial Reports have been audited by the CPAs Wan-Yuan Yu and Chien-Hui Lu of KPMG Taiwan, with the written audit report issued. The Business Report, Consolidated Financial Reports, Individual Financial Reports, and the Proposal of the Earnings Distribution Statement have been audited by the supervisor and deemed as appropriate, and reported as above in accordance with Article 219 of the Company Act for approval.

Sincerely,
2020 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Supervisor: 揚金昌

May 6, 2020

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Supervisor: 吳彰家

May 6, 2020

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Sincerely,
2020 Regular Shareholders' Meeting of APAQ TECHNOLOGY CO., LTD.

Supervisor:

May 6, 2020

IV. Consolidated financial reports audited and attested by CPA in the most recent year

Statement of Declaration

In year 2019 (from January 1 to December 31, 2019), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

Hereby declared by

Company Name: APAQ TECHNOLOGY CO., LTD.

Chairman: Dr. DJ Zheng

March 24, 2020

Report of Independent Accountants

To the Board of Directors and shareholders of APAQ TECHNOLOGY CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of APAQ TECHNOLOGY CO., LTD. and its subsidiaries (the "consolidated company") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements." We are independent of the consolidated company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year 2019. These matters were addressed in our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the consolidated company's consolidated financial statements of the current period are stated as follows:

I. Assessment of allowance for uncollectible accounts from accounts receivable

Please refer to Note 4 (7) Financial Instruments in the consolidated financial report for accounting policies related to the assessment of allowance for uncollectible accounts from accounts receivable. Please refer to Note 5 for details on the accounting estimate and assumption uncertainty of allowance for uncollectible accounts from accounts receivable, and Note 6 (4) for bills and accounts receivable.

Description:

Most customers of the consolidated company belong to sectors including consumer electronics, peripheral devices for computers and wireless communication. Due to the rapid changes in the industry, technology, market, economy or regulatory environment, it is difficult to obtain financial information from the customers. When assessing the lifetime expected credit losses of the accounts receivable, the potential impairment is measured by factors such as the aging analysis of the receivables, the customer's financial position, collection records, current market conditions and forward-looking information. The assessment of of allowance for uncollectible accounts from accounts receivable therefore has an element of subjective judgment from the management, which is a matter the accountants need to address when carrying out the audits of the consolidated financial report of the consolidated company.

How our audit addressed the matter:

The main audit procedure includes obtaining the calculation sheet for the assessment of allowance for uncollectible accounts from accounts receivable from the management to verify the calculations, sampling and verifying the completeness of the accounts receivable aging schedule and the accuracy of the aging interval, while analyzing the age of receivables, historical collection records and the customers' credit risk concentration etc. to test the appropriateness of the expected credit loss rate, in order to evaluate the reasonableness of the consolidated company's assessment of allowance for uncollectible accounts from accounts receivable. In addition, the appropriateness of the management's disclosure of impairment of accounts receivable is also evaluated.

II. Inventory assessment

For accounting policies related to inventory assessment, please refer to Note 4 (8) Inventory of the consolidated financial report. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note 5 of the consolidated financial report. Relevant details can be found in Note 6 (5) net inventory.

Description:
Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the consolidated company's consolidated financial report.

How our audit addressed the matter:
Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

Other Matters

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of APAQ TECHNOLOGY CO., LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of Management and Governing Bodies for the Consolidated Financial Statements

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the consolidated company's financial reporting process.

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 GAAS will always detect a material misstatement when it exists. Misstatement may arise from fraud or error. Misstatements 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

I. 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.

II. 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 consolidated company's internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. 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 consolidated company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 consolidated company to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

KPMG

CPA	:	Allan Yu Grace Lu
Securities Competent Authority Approval No.	:	(88) Taiwan Financial Securities No.18311 FSC Ref. No.1000028068

March 24, 2020

----- Disclaimer -----

This English version is a translation based on the original Chinese version.
Where any discrepancy arises between the two versions, the Chinese version shall prevail.

APAQ TECHNOLOGY CO., LTD. And Subsidiaries
Consolidated Balance Sheets
Years ended on December 31, 2019 and 2018
Unit: NT$ thousands

		2019.12.31		2018.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents [Note 6 (1)]	$ 700,953	19	635,709	17
1110	Financial assets at fair value through profit or loss – current [Note 6 (2) and (13)]	-	-	52	-
1120	Financial assets at fair value through other comprehensive income – current [Note 6 (3)]	143,891	4	243,564	7
1150	Notes receivable [Note 6 (4)]	87,461	2	9,393	-
1170	Accounts receivable [Note 6 (4)]	780,770	22	483,054	13
1180	Accounts receivable – related parties [Note 6 (4) and (7)]	22,724	-	84,675	2
1310	Net inventories [Note 6 (5)]	390,840	11	601,590	16
1476	Other financial assets – current [Note 6 (9)]	37	-	506	-
1479	Other current assets [Note 6 (10)]	30,746	1	98,421	3
		2,157,422	59	2,156,964	58
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income – non-current [Note 6 (3)]	117,349	3	121,084	3
1550	Investments accounted for under equity method [Note 6 (6)]	45,174	1	46,317	1
1600	Property, plant and equipment [Note 6 (7)]	1,176,196	32	1,279,218	34
1840	Deferred income tax assets [Note 6 (17)]	54,726	2	41,425	1
1755	Right of use assets [Note 6 (8)]	30,967	1	-	-
1780	Intangible assets [Note 6 (11)]	37,259	1	41,630	1
1984	Other financial assets – non-current [Note 6 (9) and 8]	25,458	1	26,155	1
1990	Other non-current assets [Note 6 (10)]	9,562	-	27,856	1
		1,496,691	41	1,583,685	42
	Total assets	**$ 3,654,113**	**100**	**3,740,649**	**100**

		2019.12.31		2018.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings [Note 6 (12)]	$ 924,840	25	1,103,585	30
2170	Accounts payable	307,178	9	187,682	5
2180	Accounts payable – related parties [Note 7]	4,968	-	-	-
2201	Payroll and bonus payable	79,378	2	67,891	2
2213	Payables on equipment	14,419	-	54,458	1
2280	Lease liabilities – current [Note 6 (14)]	6,113	-	-	-
2320	Long-term liabilities due within one year [Note 6 (13)]	2,095	-	-	-
2399	Other current liabilities	92,973	3	137,102	3
		1,431,964	39	1,550,718	41
	Non-current liabilities:				
2570	Deferred income tax liabilities [Note 6 (17)]	-	-	745	-
2530	Bonds payable [Note 6 (13)]	243,423	7	242,273	6
2580	Lease liabilities – non-current [Note 6 (14)]	13,739	-	-	-
		257,162	7	243,018	6
	Total Liabilities	1,689,126	46	1,793,736	47
	Equity [Note 6 (13) and (18)]:				
3100	Share capital	845,011	23	844,419	23
3200	Capital surplus	560,800	15	559,411	15
3300	Retained earnings	680,939	19	622,179	17
3400	Other equity interest	(121,763)	(3)	(51,199)	(1)
3500	Treasury stock	-	-	(27,897)	(1)
	Total equity	1,964,987	54	1,946,913	53
	Total liabilities and equity	**$ 3,654,113**	**100**	**3,740,649**	**100**

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng **Manager: Shi-dong Lin** **Accounting manager: Pei-lin Lee**

APAQ TECHNOLOGY CO., LTD. And Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended on December 31, 2019 and 2018

Unit: NT$ thousands

		2019		2018	
		Amount	**%**	**Amount**	**%**
4110	**Net sales revenue [Note 6 (20) and 7]**	$ 2,002,841	100	2,042,820	100
5110	**Cost of goods sold [Note 6 (5), (14), (15), (16), (21) and 7]**	1,540,718	77	1,525,524	75
5900	**Gross profit**	462,123	23	517,296	25
6000	**Operating expenses [Note 6 (14), (15), (16), (21) and 7]**				
6100	Selling expenses	79,652	4	77,553	4
6200	General and administrative expenses	120,164	6	120,986	6
6300	Research and development expenses	54,256	3	54,787	3
	Total operating expenses	254,072	13	253,326	13
6900	**Operating profit**	208,051	10	263,970	12
7000	**Non-operating income and expenses:**				
7020	Other gains and losses [Note 6 (13) and (22)]	11,521	1	12,160	1
7050	Finance costs [Note 6 (13), (14) and (22)]	(25,956)	(1)	(25,986)	(1)
7100	Interest revenue	5,795	-	4,481	-
7230	Net foreign exchange gain [Note 6 (23)]	(8,436)	-	(1,834)	-
7370	Share of profit of associates accounted for under equity method [Note 6 (6)]	1,227	-	1,033	-
	Total non-operating income and expenses	(15,849)	-	(10,146)	-
7900	**Profit before income tax**	192,202	10	253,824	12
7950	**Less: Income tax expense [Note 6 (17)]**	53,131	3	71,481	3
	Profit for the year	139,071	7	182,343	9
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8316	Unrealized gain (loss) on valuation of equity investment at fair value through other comprehensive income	(13,048)	(1)	18,733	1
	Other comprehensive income (loss) that will not be reclassified to profit or loss	(13,048)	(1)	18,733	1
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Financial statements translation differences of foreign operations	(68,304)	(3)	(20,439)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss [Note 6 (17)]	13,661	(1)	5,468	-
	Other comprehensive income (loss) that will be reclassified to profit or loss	(54,643)	(2)	(14,971)	(1)
8300	**Other comprehensive income (loss) for the year (net, after tax)**	(67,691)	(3)	3,762	-
	Total comprehensive income for the year	**$ 71,380**	**4**	**186,105**	**9**
	Earnings per share (Unit: NT$) [Note 6 (19)]				
9750	Basic earnings per share	**$**	**1.66**		**2.24**
9850	Diluted earnings per share	**$**	**1.61**		**2.19**

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD. And Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2019 and 2018

Unit: NT$ thousands

	Equity				Retained earnings				Other equity items				
	Share capital – common stock	Capital collected in advance	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Financial statements translation differences of foreign operations	Interest (loss) of equity instrument investment at fair value through other comprehensive income	Total	Treasury stock	Total equity
Balance as of January 1, 2018	$ 731,901	29,046	760,947	243,704	88,615	34,568	468,406	591,589	(45,141)	(5,365)	(50,506)	(71,286)	1,474,448
Profit for the year	-	-	-	-	-	-	182,343	182,343	-	-	-	-	182,343
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(14,971)	18,733	3,762	-	3,762
Total comprehensive income for the year	-	-	-	-	-	-	182,343	182,343	(14,971)	18,733	3,762	-	186,105
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,910	-	(18,910)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	9,521	(9,521)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(156,208)	(156,208)	-	-	-	-	(156,208)
Transfer of treasury stock to employees	-	-	-	3,642	-	-	-	-	-	-	-	5,133	8,775
Issuance of common stock for cash	55,000	-	55,000	207,716	-	-	-	-	-	-	-	-	262,716
Issuance of common stock for cash and retained employee compensation	-	-	-	7,624	-	-	-	-	-	-	-	-	7,624
Issuance of convertible corporate bonds	-	-	-	11,825	-	-	-	-	-	-	-	-	11,825
Conversion of convertible corporate bonds	80,718	(29,046)	51,672	127,853	-	-	-	-	-	-	-	-	179,525
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(27,897)	(27,897)
Disposal of treasury stock	(23,200)	-	(23,200)	(42,953)	-	-	-	-	-	-	-	66,153	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	4,455	4,455	-	(4,455)	(4,455)	-	-
Balance as of December 31, 2018	844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Profit for the year	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income for the year	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Conversion of convertible bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Buyback of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	**$ 844,419**	**592**	**845,011**	**560,800**	**125,760**	**51,199**	**503,980**	**680,939**	**(114,755)**	**(7,008)**	**(121,763)**	**-**	**1,964,987**

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng **Manager: Shi-dong Lin** **Accounting manager: Pei-lin Lee**

APAQ TECHNOLOGY CO., LTD. And Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018

Unit: NT$ thousands

	2019	2018
Cash flows from operating activities:		
Profit before tax for the year	$ 192,202	253,824
Adjustments:		
Income and expenses having no effect on cash flows		
Depreciation	184,418	132,805
Amortization	4,359	5,152
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	52	432
Interest expense	25,956	25,986
Dividend income	(8,873)	(2,220)
Interest income	(5,795)	(4,481)
Allowance for loss on market value decline and obsolete and slow-moving inventories	1,500	10,001
Compensation cost relating to share-based payment	-	11,266
Share of corporate profit or loss recognized under the equity method	(1,227)	(1,033)
Loss (gain) on disposal and retirement of property, plant and equipment	1,410	(52)
Other net expenses (gain) having no effect on cash flows	132	13,598
Total income and expense items	201,932	191,454
Changes in assets/liabilities relating to operating activities		
Accounts receivable and notes	(375,784)	289,888
Accounts receivable – related parties	61,951	(6,024)
Inventories	209,250	(291,751)
Other operating assets	68,144	(49,871)
Accounts payable	119,496	(176,634)
Accounts payable – related parties	4,968	-
Other operating liabilities	27,469	(7,148)
Total adjustments for reconcile profit (loss)	317,426	(50,086)
Cash flows from operating activities	509,628	203,738
Interest received	5,795	4,481
Dividends received	8,873	2,220
Interest paid	(22,723)	(19,587)
Income tax paid	(108,274)	(54,530)
Net cash flows from operating activities	393,299	136,322
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive gains and losses – current	-	(202,319)
Disposal of financial assets measured at fair value through other comprehensive income – current	82,862	27,370
Financial assets at fair value through other comprehensive gains and losses – non-current	-	(56,150)
Disposal of financial assets measured at fair value through other comprehensive income – non-current	7,500	-
Acquisition of investments accounted for under equity method	-	(44,898)
Acquisition of property, plant and equipment	(152,036)	(503,204)
Disposal of property, plant and equipment	3	1,790
Acquisition of intangible assets	-	(369)
Decrease (increase) in other financial assets	697	(22,377)
Decrease (increase) in other non-current assets	(515)	2,144
Net cash flows used in investing activities	(61,489)	(798,013)
Cash flows from financing activities:		
Increase in short-term borrowings	362,580	1,237,550
Repayment of short-term borrowings	(537,040)	(810,900)
Issuance of convertible corporate bonds	-	245,804
Repayment of the principal amount of rentals	(5,727)	-
Cash dividends paid	(83,184)	(156,208)
Issuance of common stock for cash	-	262,716
Cost for treasury stock buyback	(13,520)	(27,897)
Transfer of treasury stocks to employee	38,055	5,133
Cash flows from (used for) financing activities	(238,836)	756,198
Effect of exchange rates on cash and cash equivalents	(27,730)	(4,515)
Increase in cash and cash equivalents	65,244	89,992
Cash and cash equivalents, beginning of year	635,709	545,717
Cash and cash equivalents, end of the year	$ 700,953	635,709

(Please see notes for the consolidated financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD. And Subsidiaries
Consolidated Financial Report Note
2019 and 2018

(The unit for all amounts expressed are in thousands of NTD unless otherwise stated)

I. History and Organization

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the Company) was established on December 23, 2005 with the registered address at 4F., No.2 and 6, Kedong 3rd Rd., Chunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company and its subsidiaries (hereinafter referred to as "the consolidated company") focuses on the research, development, manufacturing and sales of electronic components.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

III. Application of New Standards, Amendments and Interpretations

(I) Effect of the adoption of new issuances of or amendments to the guidelines as endorsed by the Financial Supervisory Commission

The consolidated company has adopted International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter as FSC) since 2019 to prepare the consolidated financial statements. New standards, interpretations and amendments endorsed by FSC are as follows:

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS 20152017-	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact on the consolidated financial statements The nature and effect of significant impact on the financial statements is described below:

1. IFRS 16: "Leases"

   IFRS 16 replaces the existing leases guidance, including 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 consolidated company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

(1) Definition of a lease

Previously, the consolidated company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the consolidated company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (11).

On transition to IFRS 16, the consolidated company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after the date of initial application.

(2) As a lessee

As a lessee, the consolidated company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the consolidated company. Under IFRS 16, the consolidated company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The consolidated company decided to apply recognition exemptions to leases of low-value assets for leases of business premises and office.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the consolidated company's incremental borrowing rate as of the date of initial application. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the consolidated company used the following practical expedients when applying IFRS 16 to leases:

a. Applied a single discount rate to a portfolio of leases with similar characteristics.

b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(3) Impact on financial statements

On transition to IFRS 16, the consolidated company recognized NT$$31,469,000 and NT$19,495,000 of right-of-use assets and lease liabilities as of the date of initial application. The aforementioned right-of-use assets include land use rights of NT$11,974,000 in China, which are reclassified as right-of-use assets as of the date of initial application. When measuring lease liabilities, the consolidated company discounted lease payments using its incremental borrowing rate as of the date of initial application. The weighted-average rate applied is 1.1509%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

		2019.1.1
Operating lease commitment at December 31, 2018 as disclosed in the financial statements	$	17,676
Recognition exemptions:		
Leases of low-value assets		(96)
The option to reasonably ascertain the extension or termination of the lease		2,396
		19,976
Amount discounted at the incremental borrowing rate of January 1, 2019		19,495
Amount of finance lease obligations recognized as of December 31, 2018		-
Amount of lease liability recognized as of January 1, 2019	**$**	**19,495**

2. IFRIC 23 – Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have the full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of IFRIC 23 did not have any significant impact on the consolidated company's financial statements.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the consolidated company

In accordance with Decree No. 1080323028 of the FSC published on July 29, 2019, listed companies shall fully adopt IFRSs endorsed by the FSC with an effective date in 2020. New standards, interpretations and amendments endorsed by FSC are as follows:

New Standards, Amendments and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020

The application of the newly endorsed IFRSs will not have a material impact on the consolidated financial statements.

(III) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Amendments and Interpretations	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

The consolidated company is in the process of evaluating the impact on its financial position and performance of the adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

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

(I) Statement of Compliance

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

(II) Basis of Preparation

1. Basis of measurement

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

   (1) Financial assets measured at fair value through profit or loss;

   (2) Financial assets/liabilities measured at fair value through profit or loss through other comprehensive income.

2. Functional currency and presentation currency

   The consolidated company takes the currency of the primary economic environment in which each entity operates as the functional currency. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

   All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by the Company.

   The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

   Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

   Inter-company transactions, balances and unrealized gains or losses on transactions between entities within the consolidated companies are eliminated while compiling the consolidated financial statements.

   Accounting policies of subsidiaries have been adjusted so that they are consistent with that of the consolidated company.

   Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main business activities	Ownership (%) 2019.12.31	Ownership (%) 2018.12.31
The Company	APAQ Investment Limited (APAQ Samoa)	Investment holding company	100%	100%
APAQ Samoa	Apaq Technology (Wuxi) Co., Ltd., (Apaq Wuxi)	Production and sales of electronic products	100%	100%
The Company	Apaq Technology (Hubei) Co., Ltd., (Apaq Hubei)	Production and sales of electronic products	100%	Note

Note: The Company started investing in the establishment of Apaq Hubei in September 2019, which has been included in the consolidated financial statements since the date of investment.

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

(IV) Foreign currency

1. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Foreign currency exchange differences arising from conversion are generally recognized in profit or loss, but equity instruments designated as fair value through other comprehensive income are recognized in other comprehensive income.

2. Foreign operations

Assets and liabilities of foreign operations are converted to NTD (representation currency of the consolidated financial statements) at the exchange rate on the reporting date. All income and expense items are converted to NTD at the current average exchange rate, and the difference is recognized as other comprehensive income.

(V) Classification of current and non-current items

Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

1. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
2. Assets held mainly for trading purposes;
3. Assets that are expected to be realized within twelve months from the balance sheet date; or
4. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

1. Liabilities that are expected to be paid off within the normal operating cycle;
2. Liabilities arising mainly from trading activities;
3. Liabilities that are to be paid off within twelve months from the balance sheet date; or
4. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. 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.

(VI) Cash and cash equivalents

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

(VII) Financial instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the consolidated company became a party to the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than accounts receivable that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1. Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the consolidated company consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date.

Financial assets are classified into the following categories: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit and loss.

The consolidated company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets measured at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the consolidated company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

An investment through equity instrument is subsequently measured at fair value. Dividend income is recognized as equity, and the remaining net profit or loss is recognized as other comprehensive profit or loss that is not reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the consolidated company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(3) Financial assets measured at fair value through profit and loss

All financial assets not classified as amortized cost or measured at fair value through other comprehensive income described as above are measured at fair value through profit and loss, including derivatives. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net benefits or losses (including any dividends and interest income) are recognized as profit or loss.

(4) Impairment of financial assets

The consolidated company recognizes loss allowances for ECL on financial assets measured at amortized cost.

The consolidated company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the consolidated company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the consolidated company's historical experience and informed credit assessment as well as forward-looking information.

The consolidated company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

The consolidated company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The consolidated company considers a financial asset to be in default when the financial asset is more than 90 days past due and the borrower is unlikely to pay its credit obligations to the consolidated company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the consolidated company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the consolidated company in accordance with the contract and the cash flows that the consolidated company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The consolidated company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset.

The allowance loss of financial assets measured through amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The consolidated company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The consolidated company expects that the amount written off will not be materially reversed. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the consolidated company’s procedures for recovery of amounts due.

(5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets expire, or when the consolidated company transfers substantially all the risks and rewards of ownership of the financial assets, or when the consolidated company has neither transferred nor retained ownership of all risks and rewards or control over said financial assets.

When the consolidated company signs a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equities

Debt and equity instruments issued by the consolidated company are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

(2) Equity transactions

Equity instruments refer to any contracts containing the consolidated company's residual interest after subtracting liabilities from assets. The equity instrument issued by the consolidated company shall be recognized by the payment net of the direct cost of issuance.

(3) Treasury stock

When buying back the equity instruments recognized by the consolidated company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sales or re-issuance of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

(4) Composite financial instruments

The composite financial instruments issued by the consolidated company refer to corporate bonds for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the originally recognized amount is measured at fair value through similar liability of equity conversion option. For the components of equity, the originally recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity.

After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

(5) Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value. All related net benefits and losses, including any interest expenses, are recognized as profit or loss.

Other financial liabilities are measured at amortized cost by the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(6) Derecognition of financial liabilities

The consolidated company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

When derecognizing financial liabilities, the difference between the carrying amount of a financial liability and the consideration paid (including all transferred non-cash assets or liabilities) is recognized in non-operating income and expenses.

(7) Offsetting of financial assets and liabilities

The consolidated company presents financial assets and liabilities on a net basis when the consolidated company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

Embedded derivatives are treated separately from the main contract when they meet certain conditions and the main contract is not a financial asset. Derivative instruments are initially measured at fair value. Subsequent measurements are based on fair value, and the resulting benefits or losses are directly recognized as profit or loss.

(VIII) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(IX) Investments in associates

Associates refer to the consolidated company holding 20% to 50% of the voting rights of the investee, or less than 20% but having a significant influence on its financial and operating policies without obtaining control. They are evaluated under the equity method.

Under equity method, they are recognized through cost in original acquisition, and investment costs includes transaction costs. The carrying amount of invested associates includes identified goodwill at the time of investment less any cumulative impairment.

The consolidated financial statements include the consolidated company’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the consolidated company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transaction between the merged consolidated company and the associate shall be recognized in the financial statements only within the scope of the interests of non-related party investors in the associate.

When the consolidated company’s share of losses exceeds its interest in associates, the carrying amount of that investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated company has a present legal or constructive obligation or has made payments on behalf of the investees.

(X) Property, plant and equipment

1. Recognition and measurement

   Property, plant and equipment are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

   As the useful life of property, plant and equipment varies, they are deemed as independent items (main components) for treatment.

   The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognized as non-operating income and expenses.

2. Subsequent cost

   Subsequent cost is only capitalized when the future economic benefits are likely to flow into the consolidated company.

3. Depreciation

   Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is recognized in profit or loss within the estimated useful life of each component.

   The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(1) Buildings: 10-20 years

(2) Machinery and instruments: 4-8 years

(3) Other equipment and others: 4-8 years

Buildings constitute mainly buildings, air-conditioning equipment and related engineering. Each constituent is depreciated based on its useful life of 20 years and 10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted when necessary.

(XI) Lease

<u>Applicable from January 1, 2019</u>

1. Lease judgment

The consolidated company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease. In order to evaluate whether the contract is a lease, the consolidated company evaluates the following items:

(1) The contract involves the use of an identified asset that is explicitly specified in the contract or implied by the time when it is available for use. Its entity can distinguish or represent substantially all of its production capacity. If the supplier has substantive rights to replace the asset, the asset is not an identified asset; and

(2) The right to obtain almost all economic benefits from the use of identified assets throughout the period of use; and

(3) To obtain the right to lead the use of identified assets when one of the following conditions is met:

- The client has the right to decide the use of the identified assets and the purpose of use throughout the period of use.
- Relevant decisions about the way of use and purpose of the asset are made in advance, and:
  - The client has the right to operate the asset during the entire use period, and the supplier does not have the right to change the operation instructions; or
  - The way in which the client plans the asset has pre-determined the way and purpose of use for the entire period of use.

Upon the conclusion of the lease or when reassessing whether the contract includes a lease, the consolidated company allocates the consideration in the contract to the individual lease components on the basis of the relative individual price. However, when leasing land and buildings, the consolidated company chooses not to distinguish between non-lease components and treats the lease component and non-lease component as a single lease component.

2. Lessee

The consolidated company recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the consolidated company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the consolidated company is used. Generally speaking, the consolidated company adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

(1) Fixed benefits, including substantial fixed benefits;
(2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
(3) The residual value guarantee expected to be paid; and
(4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

(1) Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
(2) Changes in the residual value guarantee expected to be paid;

(3) Changes in the evaluation of the underlying asset purchase option;

(4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;

(5) Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

The consolidated company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

For the lease of low-value underlying assets leased by the office premises, the consolidated company chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

<u>Applicable before January 1, 2019</u>

The lease of the consolidated company is an operating lease, and the rent payment is recognized as an expense during the lease period according to the straight-line method.

(XII) Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized as profit or loss when incurred.

Development expenditures are only capitalized when they can be reliably measured, when the technical or commercial feasibility of the product or process has been achieved, when future economic benefits are likely to flow into the consolidated company, and when the consolidated company intends and has sufficient resources to complete the development for use or for sale. Other development expenditures are recognized in profit or loss when incurred. After the initial recognition, capitalized development expenditures are measured by its cost less accumulated amortization and accumulated impairment.

2. Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Amortization

   Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, the straight-line method is recognized as profit or loss within their estimated useful life.

   The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

   (1) Computer software: 3 years

   (2) Royalties: 12 years

   The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be adjusted when necessary.

(XIII) Impairments of non-financial assets

The consolidated company assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If there is any sign of impairment, an estimate is made of its recoverable amount. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

Impairment loss is recognized immediately in profit or loss, and first reduces the carrying amount of the goodwill of the cash-generating unit, and then reduces the carrying amount of each asset in proportion to the carrying amount of other assets in the unit.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will only be reversed if they do not exceed the carrying amount (less depreciation or amortization) determined when no impairment loss had been recognized for the asset in the previous year.

(XIV) Revenue from contract with customers

Revenue is measured based on the consideration to which the consolidated company expects to be entitled in exchange for transferring goods. The consolidated company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the consolidated company's main types of revenue are explained below:

1. Sales of goods

   The consolidated company engages in business such as research, development, production, manufacturing and sales of electronic components. The consolidated company recognizes revenue when control of the products has transferred. The control of the products has transferred when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

   A receivable is recognized when the goods are delivered as this is the point in time that the consolidated company has a right to an amount of consideration that is unconditional.

2. Financial components

   The consolidated company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the consolidated company does not adjust any of the transaction prices for the time value of money.

(XV) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution pension plans are recognized as expenses for the periods during which services are rendered by employees.

2. Short-term employee benefits

   Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered. A liability is recognized for the amount expected to be paid if the consolidated company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(XVI) Share-based payment transactions

Equity-delivered share-based payment agreement is recognized at the fair value of the grant date with a corresponding increase in equity during the vesting period of the reward. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share- based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(XVII) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, as well as tax adjustments related to prior years. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   (1) levied by the same taxing authority; or
   (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

(XVIII) Earnings per share

The consolidated company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The consolidated company's dilutive potential ordinary shares include convertible bonds payable and employee remuneration through the issuance of shares.

(XIX) Operating segment information

An operating segment is a component of the consolidated company hat engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the consolidated company). Operating results of the operating segment are regularly reviewed by the consolidated company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

V. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

Accounting policies involve significant judgments. Information that has a significant impact on the consolidated financial statements is as follows:

(I) Allowance loss of accounts receivable

The consolidated company has estimated the allowance loss of accounts receivable that is based on the risk of a default occurring and the rate of ECL. The consolidated company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(II) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the consolidated company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6 (5) for further description of the valuation of inventories.

The accounting policy and disclosure of the consolidated company include adopting fair value to measure financial, non-financial assets and liabilities. The consolidated company's finance department determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The consolidated company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The consolidated company evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

(I) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(II) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(III) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For the transition among different levels of fair value, the consolidated company shall recognize it on the reporting date.

For the assumption used in fair value measurement, please refer to note 6 (23) of the financial instruments.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash and demand deposit	$ 572,028	434,320
Time deposits	128,925	201,389
Cash and cash equivalents	**$ 700,953**	**635,709**

Please refer to note 6 (23) for the disclosure of currency risk of the financial assets and liabilities.

Please refer to note 6 (24) for the disclosure of credit risks.

(II) Financial assets measured at fair value through profit and loss

	2019.12.31	2018.12.31
Redemption rights – payable convertible corporate bonds	$ -	52

(III) Financial assets measured at fair value through other comprehensive income:

1. Current:

	2019.12.31	2018.12.31
Domestic listed securities	$ 143,891	243,564

The consolidated company's new investment in 2018 was the acquisition of shares of companies such as Walton Chaintech Corporation for the price of NT$202,319,000.

The consolidated company sold part of its financial assets – current measured at fair value through other comprehensive profit and loss in 2019 and 2018. The fair value at the time of disposal was NT$82,862,000 and NT$27,370,000 respectively, and the cumulative disposal benefits were NT$10,373,000 and NT$4,455,000. The aforesaid accumulated disposal benefits have been transferred from other interests to retained earnings.

2. Non-current:

	2019.12.31	2018.12.31
Domestic and foreign unlisted shares		
Foxfortune Technology Ventures Limited	$ 42,551	24,843
Inpaq Korea Co., Ltd.	701	705
Chia-Lin Venture Capital Co., Ltd.	20,125	21,226
Taiwan Innovative Space Inc.	-	19,508
Kuan Kun Electronic Enterprise Co., Ltd.	49,468	51,056
AICP Technology Corporation	4,504	3,746
	$ 117,349	121,084

Information on major foreign currency equity investments as of the reporting date is as follows:

	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	$ 1,017	29.98	30,490	1,017	30.715	31,237

Equity instruments held by the consolidated company are strategic long-term investments and not for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

The consolidated company's new investments for 2018 include in Kuan Kun Electronic Enterprise Co., Ltd. And AICP Technology Corporation, with a total acquisition price at NT$56,150,000.

The consolidated company sold part of its non-current financial assets measured at fair value through other comprehensive profit and loss in 2019. The fair value at the time of disposal was NT$7,500,000, and the cumulative disposal loss was NT$7,500,000 has been transferred from other equity to retained earnings.

The consolidated company has designated the aforementioned items as an equity instrument investment measured at fair value through other comprehensive income. The dividend income recognized in 2019 and 2018 was NT$8,873,000 and NT$2,220,000 respectively.

(IV) Notes and accounts receivable

	2019.12.31	2018.12.31	2018.1.1
Notes receivable	$ 87,461	9,393	7,715
Accounts receivable	780,770	483,054	774,620
	$ 868,231	492,447	782,335

The consolidated company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, the expected credit loss measurement during the lifetime. For this purpose, these receivables paid on behalf of the customer in accordance with the contract are categorized based on common credit risk characteristics of the amount due capacity with forward-looking information incorporated, including general economic and related industry information. The expected credit losses of the consolidated company's receivables (including related parties) are analyzed as follows:

	2019.12.31		
	Carrying amount of accounts receivable (including related parties)	Rate of expected lifetime credit loss	Allowance of expected lifetime credit loss
Not past due	$ 880,459	0%	-
Past due 0-60 days	10,496	0%	-
Past due 61-90 days	-	0%	-
Past due more than 91 days	-	100%	-
Total	$ 890,955		-

	2018.12.31		
	Carrying amount of accounts receivable (including related parties)	Rate of expected lifetime credit loss	Allowance of expected lifetime credit loss
Not past due	$ 557,926	0%	-
Past due 0-60 days	19,196	0%	-
Past due 61-90 days	-	0%	-
Past due more than 91 days	-	100%	-
Total	$ 577,122		-

In 2019 and 2018, the consolidated company did not include any impairment losses for receivables (including related parties). In addition, the application of the IFRS 9 would not require any adjustments.

Please refer to Note 6 (23) for details of remaining credit risk information.

(V) Inventories, net

	2019.12.31	2018.12.31
Raw materials	$ 125,015	209,499
Work in process and semi-finished products	49,683	69,719
Finished goods and commodity	216,142	322,372
	$ 390,840	**601,590**

The details of operating costs were as follows:

	2019	2018
Cost of goods sold	$ 1,539,223	1,515,622
Inventory devaluation loss	1,500	10,001
Revenue from sale of scrap	(5)	(99)
	$ 1,540,718	**1,525,524**

(VI) Investments accounted for using equity method

The consolidated company invested RMB 9,800,000 in Shenzhen Gather Electronics Science Co., Ltd. On July 1, 2018 to obtain a 35% equity interest and thus obtained significant influence on the company.

The summarized financial information from associates using the equity method adopted by the consolidated company is as follows. The amount is included in the consolidated financial statements of the consolidated company:

	2019.12.31	2018.12.31
The carrying amount of equity at the end of the period of individual non-significant associates.	**$ 45,174**	**46,317**

Share attributable to the consolidated company:

	2019	2018
Profit for the year	$ 1,227	1,033
Other comprehensive income (loss) in this period	-	-
Total comprehensive income for the year	**$ 1,227**	**1,033**

(VII) Property, plant and equipment (PP&E)

		Building	Machinery and equipment	Other equipment and others	Construction in progress	Total
Cost:						
Balance as of January 1, 2019	$	368,584	1,413,492	90,793	106,163	1,979,032
Additions		-	73,240	12,287	26,470	111,997
Disposals and obsolescence		-	(3,395)	(4,952)	-	(8,347)
Reclassification		-	64,751	18,368	(78,088)	5,031
Effect of exchange rate changes		(14,644)	(58,979)	(2,362)	(1,926)	(77,911)
Balance as of December 31, 2019	$	353,940	1,489,109	114,134	52,619	2,009,802
Balance as of January 1, 2018	$	334,770	929,350	67,889	126,899	1,458,908
Additions		40,265	393,640	27,415	101,867	563,187
Disposals and obsolescence		(9)	(2,961)	(7,652)	-	(10,622)
Reclassification		-	116,865	4,080	(120,945)	-
Effect of exchange rate changes		(6,442)	(23,402)	(939)	(1,658)	(32,441)
Balance as of December 31, 2018	$	368,584	1,413,492	90,793	106,163	1,979,032
Depreciation:						
Balance as of January 1, 2019	$	95,175	559,623	45,016	-	699,814
Depreciation for the period		22,745	141,417	14,147	-	178,309
Disposals and obsolescence		-	(2,512)	(4,422)	-	(6,934)
Effect of exchange rate changes		(4,690)	(31,636)	(1,257)	-	(37,583)
Balance as of December 31, 2019	$	113,230	666,892	53,484	-	833,606
Balance as of January 1, 2018	$	77,680	469,336	45,258	-	592,274
Depreciation for the period		19,142	104,434	9,229	-	132,805
Disposals and obsolescence		-	(1,635)	(7,499)	-	(9,134)
Effect of exchange rate changes		(1,647)	(12,512)	(1,972)	-	(16,131)
Balance as of December 31, 2018	$	95,175	559,623	45,016	-	699,814
Carrying amount						
December 31, 2019	$	240,710	822,217	60,650	52,619	1,176,196
January 1, 2018	$	257,090	460,014	22,631	126,899	866,634
December 31, 2018	$	273,409	853,869	45,777	106,163	1,279,218

(VIII) Right-of-use assets

		Land use rights	Building	Transportation equipment	Total
Cost of right-of-use assets:					
Balance as of January 1, 2019	$	-	-	-	-
Adjustment for retrospective application of new standards		11,974	18,413	1,082	31,469
Additions		-	6,084	-	6,084
Effect of exchange rate changes		(477)	-	-	(477)
Balance as of December 31, 2019	$	11,497	24,497	1,082	37,076
Depreciation of right-of-use assets:					
Balance as of January 1, 2019	$	-	-	-	-
Depreciation for the period		284	5,342	483	6,109
Balance as of December 31, 2019	$	284	5,342	483	6,109
Carrying amount of right-of-use assets:					
December 31, 2019	$	11,213	19,155	599	30,967

The consolidated company leased offices under business lease in 2018. Please refer to Note 6 (15).

(IX) Other financial assets – current and non-current

		2019.12.31	2018.12.31
Refundable deposit	$	25,458	26,155
Other receivables		37	506
	$	25,495	26,661

(X) Other assets – current and non-current

	2019.12.31	2018.12.31
Business tax credit	$ 17,677	51,196
Long-term prepaid rent	-	11,974
Prepayments for business facilities	7,182	14,017
Prepayment	721	1,990
Prepaid expenses and others	14,728	47,100
	$ 40,308	126,277

(XI) Intangible assets

	Computer software	Royalties	Total
Cost:			
Balance as of January 1, 2019	$ 4,643	45,038	49,681
Effect of exchange rate changes	(70)	-	(70)
Balance as of December 31, 2019	$ 4,573	45,038	49,611
Balance as of January 1, 2018	$ 4,274	45,038	49,312
Separate acquisition	369	-	369
Balance as of December 31, 2018	$ 4,643	45,038	49,681
Amortization and impairment loss:			
Balance as of January 1, 2019	$ 3,672	4,379	8,051
Amortization for the period	606	3,753	4,359
Effect of exchange rate changes	(58)	-	(58)
Balance as of December 31, 2019	$ 4,220	8,132	12,352
Balance as of January 1, 2018	$ 2,273	626	2,899
Amortization for the period	1,399	3,753	5,152
Balance as of December 31, 2018	$ 3,672	4,379	8,051
Carrying amount			
December 31, 2019	$ 353	36,906	37,259
January 1, 2018	$ 2,001	44,412	46,413
December 31, 2018	$ 971	40,659	41,630

(XII) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans	$ 924,840	1,103,585
Unused limit	$ 365,140	597,140
Interest range	1.1%~ 3.56198%	1.1%~ 4.80847%

(XIII) Convertible corporate bonds payable

1. The Company issued the first domestic unsecured conversion of corporate bonds on March 1, 2017. The issuance period is three years. The relevant information in the financial statements is as follows:

	2019.12.31	2018.12.31
Total amount of issuing convertible corporate bonds	$ 300,000	300,000
Less: unamortized payable corporate bond discount	(5)	(112)
Less: accumulated converted ordinary shares	(297,900)	(295,900)
Less: long-term liabilities due within one year	(2,095)	-
Payable corporate bond balance at the end of the period	$ -	3,988
Embedded derivatives – redemption rights (presented in financial assets measured at fair value through profit or loss-current)	$ -	2

	2019	2018
Embedded derivatives – redemption rights and losses remeasured at fair value (reported on financial asset evaluation losses (interests))	$ 2	(43)
Interest expense	$ 88	571

The significant terms of the issuances are as follows:

(1) Conversion price and adjustments:

February 18, 2017 is set as the conversion price base date, and the simple arithmetic average of the closing prices of the common shares of the first, third, and fifth business days of the Company before (excluding) the base day is chosen as the base price before multiplying the base price by 102.92% premium rate to calculate the basis. (Calculated to the NTD jiao and rounded up cent). In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling shall be the price after deducting equity or dividend; the conversion price shall be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. The conversion price at the time of issue is NT$38.7 per share. The conversion price on December 31, 2019 and 2018 were NT$33.8 and 34.9 respectively.

(2) The Company's redemption right for the aforementioned conversion of corporate bonds:

i. The above-mentioned converted corporate bonds shall start one month after the issuance date to forty days before the expiration of the issuance period. When the price reaches more than 30% (inclusive), the Company may notify the creditors within 30 business days thereafter to recover the principal bond of the bond holder in cash according to the denomination of the bond.

ii. From the day following one month after the issuance of the converted corporate bond to forty days before the expiration of the issuance period, if the outstanding balance in circulation is less than 10% of the original issuance amount, the Company may notify the creditors at any time thereafter. The face value of the bond is recovered in cash to the bond holder's principal bond.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item		Amount
Converted corporate bond issuance	$	300,000
Fair value of embedded non-equity derivatives at the time of issuance		180
Issue cost		(5,307)
Fair value of corporate bonds at the time of issuance		(279,243)
Equity composition items – stock options (listed in the capital reserve – stock options)	**$**	**15,630**

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's first unsecured conversion of corporate bonds was 2.38%.

The Company's first unsecured conversion of corporate bonds matured on March 1, 2020, and the OTC trading was terminated on the next business day after the due date. According to Article 6 of the relevant issuance and conversion regulations, the Company will repay the converted corporate bonds in cash at a time according to the remaining bond denomination.

Please refer to Note 6 (18) for the first unsecured conversion of corporate bonds into ordinary shares in 2019 an 2018.

2. The Company issued the second domestic unsecured conversion of corporate bonds on April 27, 2018. The issuance period is three years. The relevant information in the financial statements is as follows:

		2019.12.31	2018.12.31
Total amount of issuing convertible corporate bonds	$	250,000	250,000
Less: unamortized payable corporate bond discount		(6,577)	(11,715)
Payable corporate bond balance at the end of the period	**$**	**243,423**	**238,285**
Embedded derivatives – redemption rights (presented in financial assets measured at fair value through profit or loss-current)	**$**	**-**	**50**

		2019	2018
Embedded derivatives – redemption rights and losses remeasured at fair value (reported on financial asset evaluation losses (interests))	**$**	**50**	**475**
Interest expense	**$**	**5,138**	**3,782**

The significant terms of the issuances are as follows:

(1) Conversion price and adjustments:

April 19, 2018 is set as the conversion price base date, and the simple arithmetic average of the closing prices of the common shares of the first, third, and fifth business days of the Company before (excluding) the base day is chosen as the base price before multiplying the base price by 103.38% premium rate to calculate the basis. (Calculated to the NTD jiao and rounded up cent). In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling shall be the price after deducting equity or dividend; the conversion price shall be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. The conversion price at the time of issuance was NT$63 per share. The conversion price on December 31, 2019 and 2018 were NT$58 and 59.9 respectively.

(2) The Company's redemption right for the aforementioned conversion of corporate bonds:

i. The above-mentioned converted corporate bonds shall start one month after the issuance date to forty days before the expiration of the issuance period. When the price reaches more than 30% (inclusive), the Company may notify the creditors within 30 business days thereafter to recover the principal bond of the bond holder in cash according to the denomination of the bond.

ii. From the day following one month after the issuance of the converted corporate bond to forty days before the expiration of the issuance period, if the outstanding balance in circulation is less than 10% of the original issuance amount, the Company may notify the creditors at any time thereafter. The face value of the bond is recovered in cash to the bond holder's principal bond.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item	Amount
Converted corporate bond issuance	$ 250,000
Fair value of embedded non-equity derivatives at the time of issuance	525
Issue cost	(4,196)
Fair value of corporate bonds at the time of issuance	(234,504)
Equity composition items – stock options (listed in the capital reserve – stock options)	**$ 11,825**

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's second unsecured conversion of corporate bonds was 2.13%.

(XIV) Lease liabilities

The carrying amount of the consolidated company's lease liability is as follows:

	2019.12.31
Current liability	$ 6,113
Non-current	$ 13,739

For maturity analysis, please refer to Note 6 (23) Financial Instruments.

The amount recognized in profit or loss is as follows:

	2019
Interest expense on lease liability	$ 230
Expense for leases of low-value items	$ 75

The amounts recognized in the statements of cash flows are:

	2019
Total cash outflow for lease	$ 6,032

1. Leasing of houses and buildings

   The consolidated company leased houses and buildings as office premises and factory buildings on December 31, 2019 with the period of 1 to 5 years. Some leases include the option to extend for the same period when the lease expires.

   Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the consolidated company. These options are only enforceable by the consolidated company rather than the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

2. Other leases

   The lease period of the office premises of the consolidated company's lease is two years. These leases are for low-value items, and the consolidated company chooses to apply the exemption recognition requirement instead of recognizing their right-of-use assets and lease liabilities.

(XV) Operating lease

Tenant lease

The payable rent for non-cancellable operating lease is as follows:

	2018.12.31
Within one year	$ 5,299
1-5 years	12,377
	$ 17,676

(XVI) Employee benefits

The consolidated company allocates 6% of each employee's monthly wages to the personal labor pension account at the Bureau of Labor Insurance, Ministry of Labor in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the consolidated company allocates a fixed amount to the Bureau of Labor Insurance, Ministry of Labor without additional legal or constructive obligation. The consolidated company's pension costs under the defined contribution plan were NT$3,170,000 NT$2,956,000 for 2019 and 2018, respectively.

In addition, the pension expenses recognized by the foreign subsidiaries in 2019 and 2018 in accordance with relevant local laws and regulations were NT$709,000 and NT$790,000 respectively.

(XVII) Income tax

1. Income tax expense

The amount of the consolidated company's income tax expenses is as follows:

		2019	**2018**
Current income tax expense (benefit)			
Current period	$	53,192	81,420
Adjustment for prior period		324	(515)
		53,516	80,905
Deferred income tax expense (benefit)			
Origination and reversal of temporary differences		(385)	(6,253)
Adjustment in tax rate		-	(3,171)
		(385)	(9,424)
Current income tax expenses	**$**	**53,131**	**71,481**

2. The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

		2019	**2018**
Exchange differences on translation of foreign financial statements	$	13,661	4,088
Effect of exchange rate changes		-	1,380
	$	**13,661**	**5,468**

3. The reconciliation of income tax expenses and income before income tax was as follows:

		2019	**2018**
Profit before income tax	$	192,202	253,824
Income tax at the Company's domestic tax rate		38,440	50,765
Effect of different tax rates in foreign jurisdictions		16,232	28,528
Change in income tax rate		-	(3,171)
Additional tax on undistributed earnings		3,913	446
Permanent difference and others		(5,778)	(11,073)
Over (under)-provision in prior periods		324	5,986
Total	**$**	**53,131**	**71,481**

4. Deferred tax assets and liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company plans to use undistributed earnings for permanent investment rather than distribution. The amounts are as follows:

	2019.12.31	2018.12.31
Undistributed earnings from subsidiaries	$ 486,132	440,756
Unrecognized deferred tax liabilities	$ (97,226)	(88,151)

5. Recognized deferred tax assets (liabilities)

Deferred income tax assets

	2018.1.1	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2018.12.31	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2019.12.31
Loss for market price decline and obsolete and slow-moving inventories	$ 356	(63)	-	419	(300)	-	719
Unrealized expenses	10,554	2,061	-	8,493	(10,575)	-	19,068
Unrealized profit between associates	3,424	(15,243)	-	18,667	15,834	-	2,833
Financial statements translation differences of foreign operations	7,822	-	(5,468)	13,290	-	(13,661)	26,951
Unrealized exchange loss	3,085	3,085	-	-	(4,689)	-	4,689
Other	547	(9)	-	556	90	-	466
	$ 25,788	(10,169)	(5,468)	41,425	360	(13,661)	54,726

Deferred income tax liabilities

	2018.1.1	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2018.12.31	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2019.12.31
Unrealized exchange gains	$ -	745	-	(745)	(745)	-	-

6. The ROC income tax authorities have examined the Company's income tax returns through 2017.

(XVIII) Capital and other equity interest

1. Shares

As of December 31, 2019 and 2018, the authorized capital of the Company amounted to $2,000,000,000, of which included the amount of $60,000,000 reserved for employee share options; the issued capital amounted to $845,011,000 and $844,419,000, respectively at $10 per share.

The reconciliation for outstanding shares is as follows (expressed in thousand shares):

	Ordinary shares	
	2019	**2018**
Balance as of January 1	83,514	73,595
Treasury stock repurchase	(330)	(928)
Conversion of convertible corporate bonds	60	5,167
Issuance of common stock for cash	-	5,500
Transfer of treasury stock to employees	1,258	180
Balance as of December 31	**84,502**	**83,514**

In 2019, the Company issued 60,000 new shares due to the conversion rights of convertible corporate bonds exercised by holders. The shares were issued in denominations with a total amount of NT$592,000,000. The statutory registration process for the aforementioned issuance of new shares has not yet been completed. The new shares were listed as pre-received share capital on December 31, 2019.

The Company issued 2,905,000 new shares due to the conversion of convertible corporate bonds on December 31, 2017. Since the legal registration procedure has not been completed, the total pre-received capital was NT$29,046,000 on December 31, 2017. As of December 31, 2018, all of the shares have been converted into ordinary share capital. In addition, from January 1 to December 31, 2018, 5,167,000 new shares were issued due to the conversion of convertible corporate bonds, and the legal registration procedure has been completed.

The net increase in capital reserves due to the conversion of corporate bonds in 2019 and 2018 was NT$1,389,000 and NT$127,853,000 respectively.

The Company approved an issuance of 5,500,000 thousand shares on February 27, 2018 by the Board of Directors. The issued price of NT$48 per share was approved by the Board of Directors on April 19, 2018 with the legal registration procedures completed. In addition, the Company recognizes that the remuneration cost of subscription reserved for employees as NT$7,624,000.

In order to replenish the working capital, repay bank loans and facilitate future development of new strategic businesses and technologies, the Company decided on a private offering within 30,000,000 shares at the shareholders' meeting on February 26, 2018. The issued price was NT$10 per share, and the Board has been authorized to execute the offering in two closings. The aforesaid private placement will expire on June 25, 2019. The amount that has not been completed on the day before the shareholders' general meeting on June 18, 2019 will be cancelled on June 19, 2019.

2. Capital surplus

	2019.12.31	2018.12.31
Share premium	$ 320,766	320,766
Issuance of common stock for cash and retained employee compensation	7,852	7,852
Subscription right to corporate bonds	11,935	12,039
Treasury stock transactions	3,642	3,642
Corporate bonds converted to premium of ordinary shares	216,605	215,112
	$ 560,800	559,411

In accordance with the Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

3. Retained earnings

(1) Legal reserve

Pursuant to the Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital

(2) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to NT$6,954,000. In accordance with Ruling No.1010012865 issued by the FSC, the net increase of NT$6,236,000 in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to NT$6,236,000 as of December 31, 2019.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

According to the Company's Articles of Incorporation, if the Company shows a year-end profit, it shall firstly make up any accumulated losses. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the above-mentioned amounts, together with the balance of the unappropriated retained earnings of the previous year as dividends to shareholders, to be proposed by the Board of Directors to be approved at the shareholders' meeting.

The Company operates in an industry with rapid changes, intensive capital and technologies, and the Company is in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder dividends, in cash or stock forms, shall not be lower than 10% of the distributable surplus of the year. The cash dividends shall be no lower than 10% of the total.

The following are the appropriation of earnings in the two decent years which were approved during the shareholders' meeting held on June 19, 2019 and June 26, 2018, respectively:

	2018		2017	
	Dividends per share	Amount	Dividends per share	Amount
Dividends distributed to ordinary shareholders:				
Cash ($)	$0.98510218	83,184	1.86842758	156,208

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website.

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

	2019				
Reason for redemption	Opening number of shares	Increase in the period	Transfer in the period	Write-off during the period	Closing number of shares
Transfer to employees	928	330	(1,258)	-	-

	2018				
Reason for redemption	Opening number of shares	Increase in the period	Transfer in the period	Write-off during the period	Closing number of shares
Transfer to employees	2,500	928	(180)	(2,320)	928

In accordance with the provisions of Securities and Exchange Act, the repurchase rate of shares by the Company shall not exceed 10% of total number of shares, and the total amount of repurchased shares shall not exceed the amount of retained earnings plus share premium and realized capital reserve. The shares bought back by a company shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

The Company has transferred all treasury shares to employees in 2019. As the transfer price is higher than the fair market price, no remuneration cost has been recognized.

The remuneration cost recognized by the Company for the transfer of treasury shares to employees in 2018 was NT$3,642,000.

(XIX) Earnings per share

	2019	2018
Basic earnings per share:		
Net income attributable to the Company	$ 139,071	182,343
Weighted-average number of ordinary shares (in thousands)	83,959	81,410
Basic earnings per share (NT$)	$ 1.66	2.24
Diluted earnings per share:		
Net income attributable to the Company	$ 139,071	182,343
Interest expense for convertible corporate bonds	4,110	3,482
Net income attributable to share capital of common shares	$ 143,181	185,825
Weighted-average number of ordinary shares (in thousands)	83,959	81,410
Effect of potential diluted ordinary shares:		
Effect of employee stock remuneration	549	791
Convertible bonds payable	4,310	2,653
Weighted-average number of ordinary shares (in thousands) (diluted)	88,818	84,854
Diluted earnings per share (NT$)	$ 1.61	2.19

(XX) Revenue from contracts with customers

	2019	2018
Revenues from major regional markets:		
China	$ 1,967,714	2,018,823
Taiwan	33,303	22,645
Others	1,824	1,352
	$ 2,002,841	2,042,820
Revenue from major products:		
Coiled conductive polymer solid capacitors	1,775,810	1,847,790
Chip-type conductive polymer solid state appliances	227,031	195,030
	$ 2,002,841	2,042,820

(XXI) Remuneration to employees and directors

The Company's Articles of Incorporation provide that if there is profit in the year, no lower than 8% of the profit shall be allocated for employee compensation, and no higher than 3% shall be allocated for remuneration to Directors and Supervisors. However, the profit shall first be used to offset against any deficit. Employees of controlled companies who meet specific requirements can also be included in the stock or cash remuneration distribution.

The remunerations to employees amounted to NT$16,437,000 and NT$20,597,000, as well as the remunerations to directors amounted to NT$4,834,000 and NT$6,058,000 for the years ended December 31, 2019 and 2018, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors' meeting.

The amounts allocated for remunerations to employees and directors and supervisors for 2018 were NT$20,597,000 and NT$6,058,000 respectively, which bear no difference from the board resolutions. Relevant information can be inquired from the Market Observation Post System (MOPS).

(XXII) Non-operating income and expenses

1. Other gains and losses, net

		2019	2018
Dividend income		8,873	2,220
Impairment loss on financial assets		(52)	(432)
Gain (loss) on disposal of property, plant and equipment		(1,410)	52
Subsidy income		6,425	11,713
Other		(2,315)	(1,393)
Other gains and losses, net	$	11,521	12,160

2. Finance costs

		2019	2018
Interest expense – bonds payable	$	5,226	4,353
Interest expense – borrowings		20,500	21,633
Interest expense – lease obligations payable		230	-
	$	25,956	25,986

(XXIII) Financial instruments

1. Credit risk

(1) Maximum credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount of credit risk exposure.

(2) Credit risk concentration

The consolidated company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the consolidated company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. 42% and 42% of accounts receivable balances for the years ended on December 31, 2019 and 2018 respectively, were composed of five customers. This causes credit risk concentration.

(3) Credit risk of accounts receivable and debt securities

Please refer to Note 6 (4) for credit risk exposure of accounts receivable.

Other financial assets measured at amortized cost, including accounts receivable from related parties and fixed deposit certificates, have not declared impairment loss.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4 (7) for details on how the consolidated company determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

	Carrying amount	Contract cash flow	Less than 6 months	6-12 months-	More than 12 months
December 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	$ 924,840	927,628	927,628	-	-
Accounts payable (including related parties)	312,146	312,146	312,146	-	-
Payables on equipment	14,419	14,419	2,770	11,649	-
Lease liabilities (including current and non-current)	19,852	20,274	3,192	3,117	13,965
	$ 1,271,257	1,274,467	1,245,736	14,766	13,965
December 31, 2018					
Non-derivative financial liabilities					
Short-term borrowings	$ 1,103,585	1,113,398	1,020,245	93,153	-
Accounts payable	187,682	187,682	187,682	-	-
Payables on equipment	54,458	54,458	27,312	27,146	-
	$ 1,345,725	1,355,538	1,235,239	120,299	-

3. Currency risk

(1) Exposure to exchange rate risk

The consolidated company’s financial assets and liabilities exposed to exchange rate risk were as follows:

	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 34,796	29.98	1,043,184	23,048	30.715	707,919
RMB	54,101	4.2975	232,499	77,215	4.4753	345,560
Financial liabilities						
Monetary items						
USD	10,427	29.98	312,601	20,571	30.715	631,838

(2) Sensitivity analysis

The consolidated company’s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and other payables, and other accrued expenses that are denominated in foreign currency. A fluctuation in the TWD/USD and

TWD/RMB exchange rates on December 31, 2019 and 2018, with other factors remaining constant, would have influenced the net profit for the years ended December 31, 2019 and 2018 as illustrated below:

	Range of the fluctuations	**2019**	**2018**
TWD exchange rate	1% depreciation against USD	$ 5,845	609
	1% appreciation against USD	$ (5,845)	(609)
	1% depreciation against RMB	$ 1,860	2,764
	1% appreciation against RMB	$ (1,860)	(2,764)

(3) Foreign exchange gains (losses) on monetary items

Due to the variety of the functional currencies of the consolidated company's entities, the consolidated company's foreign exchange losses (realized and unrealized) on monetary items are summarized as having amounted to NT$8,436,000 and NT$1,834,000 for the years ended December 31, 2019 and 2018, respectively.

4. Interest rate analysis

The consolidated company's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2019 and 2018, as illustrated below:

	Range of the fluctuations	**2019**	**2018**
Annual interest rate	Increase of 1%	$ (7,399)	(8,829)
	Decrease of 1%	$ 7,399	8,829

5. Other market price risk

If the equity securities price changes on the reporting date (adopting the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

	2019		**2018**	
Securities price on reporting date	**Other comprehensive gain or loss, net of tax**	**Profit for the year**	**Other comprehensive gain or loss, net of tax**	**Profit for the year**
rease of 1%	$ 2,612	-	3,646	-
crease of 1%	(2,612)	-	(3,646)	-

6. Fair value of financial instruments

(1) Categories of financial instruments and fair value

Financial assets and liabilities measured at fair value through profit and loss and financial assets measured through other comprehensive income and loss is measured on a recurring basis. The consolidated company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and lease liabilities, whose fair value are not required to be disclosed) were as follows:

	2019.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset measured at fair value through other comprehensive income – current					
Domestic listed securities	$ 143,891	143,891	-	-	143,891
Financial asset measured at fair value through other comprehensive income – non-current					
Domestic unlisted securities	$ 117,349	-	-	117,349	117,349
Convertible corporate bonds payable (including bonds due within 1 year)	$ 245,518	264,571	-	-	264,571

	2018.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Redemption rights payable for convertible corporate bonds-	$ 52	-	52	-	52
Financial asset measured at fair value through other comprehensive income – current					
Domestic listed securities	$ 243,564	243,564	-	-	243,564
Financial asset measured at fair value through other comprehensive income – non-current					
Domestic unlisted securities	$ 121,084	-	-	121,084	121,084
Convertible bonds payable	$ 242,273	255,823	-	-	255,823

(2) Valuation techniques for financial instruments not measured at fair value

The consolidated company estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost based on the latest quoted price and agreed-upon price if these prices are available in active markets. When market value is unavailable, valuation method is adopted. The fair value of financial liabilities are evaluated based on the discounted cash flow of the financial liabilities.

(3) Valuation techniques for financial instruments that are measured at fair value

The redemption rights of embedded derivatives are based on an appropriate option pricing model.

(4) Transfer between level 1 and level 2: None.

(5) Reconciliation of level 3 fair values:

		Financial asset measured at fair value through measured at fair value through other comprehensive income – equity investments without an active market
Balance as of January 1, 2019	$	121,084
Disposals		(7,500)
Total gains and losses		
Recognized in other comprehensive income		3,765
Balance as of December 31, 2019	$	117,349

		Financial asset measured at fair value through measured at fair value through other comprehensive income – equity investments without an active market-
Balance as of January 1, 2018	$	-
Effect of retrospective application		61,432
Purchase		56,150
Total gains and losses		
Recognized in other comprehensive income		3,502
Balance as of December 31, 2018	$	121,084

Resulting from the recognized total gains and losses above, the gains from financial assets measured at fair value through other comprehensive income and loss as of December 31, 2019 and 2018 amounted to NT$8,349,000 of gains and NT$2,916,000 in losses.

(6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The consolidated company classified the financial assets measured at fair value through other comprehensive income and loss – non-current as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs are independent, therefore, there is no correlation between them. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset measured at fair value through other comprehensive income – non-current (equity investments without an active market)	Net asset valuation method	· Net asset value · Discount for lack of marketability (10% and 20% as of years ended on December 31, 2019 and 2018)	· N/A The higher the discount for lack of marketability, the lower the fair value.
Financial asset measured at fair value through other	Market approach	·Price-equity ratio (3.39 for 12/31/2019, 4.57 and 2.23 for	·The higher the price-equity ratio, the higher the fair value.

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
comprehensive income – non-current (equity investments without an active market)		12/31/2018) · Discount for lack of marketability (as of years ended on December 31, 2019 and 2018)	The higher the discount for lack of marketability, the lower the fair value.

(XXIV) Financial risk management

1. Overview

   The consolidated company is exposed to the following risks due to usage of financial instruments:

   (1) Credit risk

   (2) Liquidity risk

   (3) Market risk

   This note presents information about the consolidated company's exposure to each of the above risks, the consolidated company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

2. Risk management framework

   The Board of Directors is solely responsible for overseeing the risk management of the consolidated company. The consolidated company's risk management policies are formulated to identify and analyze the risks faced by the consolidated company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the consolidated company's activities.

   The financial management department of the Company provides services to the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the consolidated company by analyzing the internal risk reports of the risks according to the level and scope of risks. These risks include credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other market price risks).

3. Credit risk

   The main credit risk the consolidated company faces is caused by the potential impact of the counterparty or other party of the financial asset transaction failing to meet its contractual obligations. The consolidated company deposits its cash in creditworthy banks with low credit risk.

   The main credit risk arises from financial products derived from cash and accounts receivable. The consolidated company deposits its cash in various financial institutions. The consolidated company controls exposure to the credit risk of each financial institution and believes that there is no concentration of significant credit risk for the cash.

The credit risk exposure of the consolidated company is influenced by the conditions of each individual customer. The management also considers the statistical data on the basis of consolidated company customers, including the default risk of industry and country, as these factors play a role in credit risk. To lower credit risk, management of the consolidated company appoints a dedicated team to make decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the consolidated company reviews the recoverable amount of all accounts receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable accounts receivable.

The consolidated company did not provide any endorsements or guarantees to parties other than the subsidiaries for years ending on December 31, 2019 and 2018.

4. Liquidity risk

Liquidity risk is the risk that the consolidated company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The method of the consolidated company adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. The consolidated company supports business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash. The consolidated company’s management supervises bank financing conditions and ensures compliance with loan contracts.

5. Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate and interest rate. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

1. Currency risk

The consolidated company is exposed to currency risk arising out of sales, procurement and loan transaction through functional currency valuation from its entities. The main valuation currencies for these types of transactions includes NTD, RMB and USD.

Loan interest is denominated in the currency of the loan. Generally speaking, the currency of the loan is the same as the currency of the cash flow generated by the operation of the consolidated company, which is mainly NTD and USD. This provides economic hedging without signing derivatives, so hedging accounting is not adopted.

For monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the consolidated company purchases or sells foreign currencies at the real-time exchange rate to ensure that net risk exposure remains at an acceptable level.

2. Interest rate risk

The short-term borrowings of the consolidated company are debts with floating interest rates, so changes in market interest rates will cause the effective interest rate of short-term borrowings to change accordingly, leading to fluctuations in future cash flows.

(XXV) Capital management

The primary objective of the consolidated company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The consolidated company operates in an industry with rapid changes, intensive capital and technologies in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder cash dividends shall not be lower than 10% of the distributable surplus of the year.

The consolidated company's management periodically reassesses the capital structure, with the scope covering capital costs of various categories and related risks. The consolidated company will distribute dividend, issue new stocks, repurchase shares, or repay old debts among other methods to balance its overall capital structure in accordance with the recommendations of its management.

The consolidated company's debt-to-adjusted-capital ratio at the reporting date was as follows:

	2019.12.31	2018.12.31
Total liabilities	$ 1,689,126	1,793,736
Less: Cash and cash equivalents	(700,953)	(635,709)
Net liabilities	$ 988,173	1,158,027
Total equity	$ 1,964,987	1,946,913
Debt-to-capital ratio	50.29%	59.48%

(XXVI) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities of non-cash transactions for 2019 and 2018 were as follows:

1. For investment and financing activities of non-cash transaction where convertible

corporate bonds are converted into ordinary shares, please refer to note 6 (13) for details.

2. For obtaining right-of-use assets by lease, please refer to note 6 (8).
3. Reconciliation of liabilities arising from financing activities were as follows:

	2019.1.1	Retrospective application of new standards Adjustment	Cash flow	Non-cash changes		2019.12.31
				Exchange fluctuations	Other changes	
Short-term borrowings	$ 1,103,585	-	(174,460)	-	(4,285)	924,840
First issuance of convertible corporate bonds	3,988	-	-	-	(1,893)	2,095
Second issuance of convertible corporate bonds	238,285	-	-	-	5,138	243,423
Lease liabilities	-	19,495	(5,727)	-	6,084	19,852
	$ 1,345,858	19,495	(180,187)	-	5,044	1,190,210

	2018.1.1	Cash flow	Non-cash changes		2018.12.31
			Exchange fluctuations	Other Changes	
Short-term borrowings	$ 663,080	426,650	13,855	-	1,103,585
First issuance of convertible corporate bonds	183,640	-	-	(179,652)	3,988
Second issuance of convertible corporate bonds	-	245,804	-	(7,519)	238,285
	$ 846,720	672,454	13,855	(187,171)	1,345,858

VII. Related-party transactions

(I) Name and relationship with related parties

Name of related party	Relationship with the consolidated company
AsusTek Computer Inc.	Main management of the consolidated company (Note)
Shenzhen Gather Electronics Science Co., Ltd.	Associate of the Company

Note: ince it is no longer the single major shareholder of the Company, the consolidated company has decided that it is no longer a related party on January 1, 2019, and the related transaction are no longer listed as related party transactions.

(II) Significant related-party transactions

1. Operating revenue

	2019	2018
AsusTek Computer Inc.	$ -	304,076
Shenzhen Gather Electronics Science Co., Ltd.	37,656	14,927
	$ 37,656	319,003

The sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the pricing strategy is not significantly different. The credit conditions of the related parties are from 60 days to 90 days based on the monthly statement. The credit conditions of general customers are determined by the individual client's past transaction experience and the results of debt evaluation. The range is between 60 to 150 days.

2. Purchases

	2019	2018
Shenzhen Gather Electronics Science Co., Ltd.	$ 6,135	-

The purchase price from related parties is based on the general market price, and the payment days for general suppliers are 30 to 90 days based on the monthly statement, and 90 days for the related parties.

3. Accounts receivable from related parties

Accounting subject	Category of related parties	2019.12.31	2018.12.31
Accounts receivable	Shenzhen Gather Electronics Science Co., Ltd.	$ 22,724	17,339
Accounts receivable	AsusTek Computer Inc.	-	67,336
		$ 22,724	84,675

4. Accounts payables to related parties

Accounting subject	Category of related parties	2019.12.31	2018.12.31
Accounts payable	Shenzhen Gather Electronics Science Co., Ltd.	$ 4,968	-

(III) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 25,183	28,173
Post-employment benefits	406	370
Share-based payment	-	3,724
	$ 25,589	32,267

VIII. Pledged assets

The carrying values of the consolidated company's pledged assets are as follows:

Assets	Pledge	2019.12.31	2018.12.31
Other financial assets – non-current	Purchase guarantee, investment guarantee, etc.	$ 25,458	26,155

IX. Significant contingent liabilities and unrecognized contractual commitments: None

X. Significant Casualty Loss: None.

XI. Material Subsequent Events: None

XII. Other

The following is the summary statement of current-period employee benefits and depreciation expenses by function:

By function / By nature	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses	2018 Total
Employee benefits						
Salary	181,618	125,513	307,131	98,419	131,755	230,174
Labor and health insurance	476	6,504	6,980	403	6,085	6,488
Pension	477	3,402	3,879	506	3,240	3,746
Others	3,016	6,519	9,535	2,351	5,947	8,298
Depreciation	162,080	22,338	184,418	118,394	14,411	132,805
Amortization	74	4,285	4,359	46	5,106	5,152

XIII. Supplementary disclosures

(I) Significant transactions

Relevant information about significant transactions to be disclosed by the consolidated company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

1. Capital loaned to others

No.	Lending company	Borrower	Transaction account	Related party	Maximum outstanding balance in current period	Ending balance	Actual expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Listed allowances for losses	Collateral Name	Collateral Value	Limit on loans granted to a single party	Total limit on loans
0	The Company	Apaq Wuxi	Other accounts receivable – related party	Yes	474,000	449,700	119,920	2.896%	Short-term financing	1,406,071	Business transaction	-		-	785,995	785,995

Note 1. For a company or firm that has business dealings with the Company, the amount permitted to a single borrower is limited to the amount of business transactions between the parties.

Note 2. The Company's accumulated capital loans and total amount are limited to 40% of the amount of the Company's latest consolidated financial statements that have been verified (reviewed) by an accountant and attributable to the shareholders of the parent company.

2. Endorsement or guarantee for others

No.	Endorsement/guarantee provider	Subject of endorsements/guarantees Name	Subject of endorsements/guarantees Relationship	Limit on endorsements/guarantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual Expenditure	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum endorsement/guarantee amount allowable	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
0	The Company	Apaq Wuxi	Subsidiary	1,964,987	474,000	449,700	89,940	-	22.89%	1,964,987	Y	N	Y

Note 1. The amount of endorsement/guarantee for a single entity is limited to the amount of the Company's most recent consolidated financial statements audited by the CPA attributable to the parent company's owner 's equity.

Note 2. The total amount of guarantee/endorsement is limited to the amount of the Company's most recent consolidated balance sheet that has been audited by the CPA and vested in the parent company 's owner 's equity.

3. Holding of negotiable securities at the end of the period (excluding the part of invested affiliated companies, associates and joint ventures equity):

Holding company	Type and name of securities	Relationship with the issuer of the securities	Financial statement item	End of period				Remarks
				Number of shares	Carrying amount	%	Fair value	
The Company	Walton Chaintech Corporation	None	Financial asset measured at fair value through other comprehensive profit and loss – current-	4,710	143,891	4.64%	143,891	
The Company	Foxfortune Technology Ventures Limited	None	Financial asset measured at fair value through other comprehensive profit and loss – non-current-	1,000	42,551	5.80%	42,551	
The Company	Inpaq Korea	None	Financial asset measured at fair value through other comprehensive profit and loss – non-current-	18	701	10.73 %	701	
The Company	Chia-Lin Venture Capital Co., Ltd.	None	Financial asset measured at fair value through other comprehensive profit and loss – non-current-	2,000	20,125	3.64%	20,125	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial asset measured at fair value through other comprehensive profit and loss – non-current-	3,770	49,468	5.39%	49,468	
The Company	AICP Technology Corporation	None	Financial asset measured at fair value through other comprehensive profit and loss – non-current-	240	4,504	3.20%	4,504	

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

5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None

6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

7. The amount of purchase and sales with related party to reach NT$ 100 million or over 20% of actually received capital:

Company Name	Name of the counterparty	Relationship	Transaction details				Situation and reason of why transaction conditions are different from general transactions		Notes/ accounts receivable or payable		Remarks
			Purchases/ sales	Amount	Ratio of total purchase (sales)	Loan period	Unit price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable	
The Company	Apaq Wuxi	Subsidiary	Purchases	1,406,071	65 %	60 days	-	Note 1	368,526	98.00%	

Note 1. The payment period of general suppliers ranges from 30 days to 90 days on the monthly statement, and the payment period for Apaq Wuxi is 60 days.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

8. The receivables from related party to reach NT$ 100 million or 20% of actually received capital amount:

Company Name	Name of the counterparty	Relationship	Balance of accounts receivable from related parties	Turnover rate	Overdue accounts receivable from related parties		Amount of related party of account receivable collected after the period (Note 2)	Listed allowances for losses
					Amount	Action taken		
The Company	Apaq Wuxi	Subsidiary	155,171 (Note 1)	-	-	-	29,077	-

Note 1. Including other accounts receivable arising from sales and loan of funds.

Note 2. As of March 24, 2020.

Note 3. Related transactions and closing balances have been eliminated from the consolidated financial statements.

9. Trading in derivative financial instruments: Please refer to Notes 6 (2).

10. Parent-subsidiary company business relation and significant transactions:

No.	Name of the trader	Name of the transaction counterparty	Relationship with the trader	Conditions of transactions			
				Items	Amount	Terms of transaction	Ratio accounted for in consolidated revenues or total assets
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Purchases	1,406,071	60 days	70%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Sales	70,663	60 days	4%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts receivable	32,283	-	1%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Accounts payable	368,526	-	10%
0	The Company	Apaq Wuxi	Parent company to a subsidiary	Other receivables	122,888	-	3%

(II) Information on reinvestments:

Information on reinvestments is as follows (excluding investees based in Mainland China):

Investor company	Name of investees	Location	Primary business activities	Initial investment amount		Shares held at the end of the period			Highest during the period Onwership	Net profit (loss) of the investee	Investment income (loss) recognized by the Company	Remarks
				End of the period	End of last year	Shares	Ratio	Carrying amount				
The Company	APAQ Samoa	Samoa	Holding company	1,288,569	1,116,306	41,504	100.00%	1,639,854	100.00%	45,376	117,313	Note 1

Note 1. The recognized profit (loss) from investment includes the adjustment of counter-current transactions between associates.

Note 2. Related transactions and closing balances have been eliminated from the consolidated financial statements.

(III) Information on Investments in Mainland China:

1. Information on reinvestments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China in the beginning of the period	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period		Accumulated amount of remittance from Taiwan to Mainland China at the end of the period	Net profit (loss) of the investee	Ownership held by the Company (direct or indirect)	Maximum investment ratio during the period	Investment gains (losses) recognized in the current period	Carrying amount of investment	Ending balance of accumulated inward remittance of earnings	Remarks
					Amount remitted (Note 4)	Amount remitted back to Taiwan								
Apaq Wuxi	Production and sales of electronic components, etc.	1,160,226 (USD 38,700,000)	Note 1	1,049,874 (USD 33,700,000)	153,849 (USD5,000,000)	-	1,203,723 (USD 38,700,000)	50,989	100.00%	100.00%	50,989 Note 3	1,594,284	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components, etc.	42,975 (RMB10,000,000)	Note 1	44,898 (RMB 9,800,000)	-	-	44,898 (RMB 9,800,000)	3,620	35.00%	35.00%	1,227 Note 3	45,174	-	
Apaq Hubei	Production and sales of electronic components, etc.	14,990 (USD 500,000)	Note 2	-	15,590 (USD 500,000)	-	15,590 (USD 500,000)	2,480	100.00%	100.00%	2,480 Note 3	17,661	-	

2. Limits on reinvestments in Mainland China

Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 4)	Upper limit on investment authorized by MOEAIC
1,264,211 (USD 39,200,000 and RMB 9,800,000)	1,414,111 (USD 44,200,000 and RMB 9,800,000)	(Note 5)

Note 1. Indirect investment in Mainland companies through investments in a third area.

Note 2. Direct investment in China.

Note 3. Recognized according to the CPA audit report for the same period.

Note 4. The paid-in capital is converted to NTD at the exchange rate on the balance sheet date. The amount of investment remitted in this period is converted to NTD at previous exchange rates. The amount approved by the investment review committee of the Ministry of Economic Affairs was USD 44,200,000 and RMB 9,800,000 and converted to NTD at previous exchange rates. In addition, as of December 31, 2019, approved investments amounting to US$5,000,000 had not been actually remitted.

Note 5. The Company obtained the certificate for the scope of operation of the issued by the Industrial Development Bureau. According to the regulations of the Investment Review Committee, there is no upper limit for the amount of investment in the Mainland.

3. Signifiant transactions:

Please refer to the "Significant transactions" section for direct or indirect transactions between the consolidated companies and investees in China for 2019 (which have been written off during the preparation of the consolidated financial statements).

XIV. Segment information

(I) General information

The consolidated company focuses on producing ultra-small, high temperature-resistant, long life, low impedance electrolytic capacitors and cooperates with customers to develop and manufacture high voltage capacitors, chip capacitors, organic semiconductor solid capacitors and high energy storage capacitors. It is a single operating segment. The information of the operating segment is consistent with the consolidated financial statements. Please refer to the consolidated comprehensive income statement for the income (from external customer income) and the aggregate balance sheet for segment information.

(II) Information on product categories

The information of revenue from external customers for the consolidated company was as follows:

		2019	2018
Coiled conductive polymer solid capacitors	$	1,775,810	1,847,790
Chip-type conductive polymer solid state appliances		227,031	195,030
	$	2,002,841	2,042,820

(III) Geographical information

The consolidated company compiled the following information with the revenue based on geographic location of customers and non-current assets based on the geographical location of assets.

		2019	2018
Revenue from external customers:			
China	$	1,967,714	2,018,823
Taiwan		33,303	22,645
Others		1,824	1,352
	$	2,002,841	2,042,820

		2019.12.31	2018.12.31
Non-current assets:			
China	$	1,078,616	1,166,941
Taiwan		175,368	181,763
	$	1,253,984	1,348,704

Note: on-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

(IV) Major customer information

Customers accounting for more than 10% of the consolidated company's net operating revenues for the years ended December 31, 2019 and 2018 include:

		2019		2018	
		Amount	% of net operating revenues for the current period	Amount	% of net operating revenues for the current period
AsusTek Computer Inc.	$	316,723	16	304,076	15
Customer G		151,587	8	227,099	11
Customer S		87,059	4	302,149	15
	$	555,369	28	833,324	41

V. Individual financial reports audited and attested by CPA in the most recent year

Report of Independent Accountants

To the Board of Directors and shareholders of APAQ TECHNOLOGY CO., LTD.

Opinion

We have audited the accompanying balance sheets of APAQ TECHNOLOGY CO., LTD. As at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the section titled "Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements." We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year 2019. These matters were addressed in our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not express a separate opinion on these matters. Key audit matters for the Company's financial statements of the current period are stated as follows:

1. Assessment of allowance for uncollectible accounts from accounts receivable

   Please refer to Note 4 (6) Financial Instruments in the parent company only financial report for accounting policies related to the assessment of allowance for uncollectible accounts from accounts receivable. Please refer to Note 5 for details on the accounting estimate and assumption uncertainty of allowance for uncollectible accounts from accounts receivable, and Note 6 (4) for bills and accounts receivable.

Description:

Most customers of the Company belong to sectors including consumer electronics, peripheral devices for computers and wireless communication. Due to the rapid changes in the industry, technology, market, economy, or regulatory environment, it is difficult to obtain financial information from the customers. When assessing the lifetime expected credit losses of the accounts receivable, the potential impairment is measured by factors such as the aging analysis of the receivables, the customer's financial position, collection records, current market conditions and forward-looking information. The assessment of allowance for uncollectible accounts from accounts receivable therefore has an element of subjective judgment from the management, which is a matter the accountants need to address when carrying out the audits of the financial report of the Company.

How our audit addressed the matter:

The main audit procedure includes obtaining the calculation sheet for the assessment of allowance for uncollectible accounts from accounts receivable from the management to verify the calculations, sampling and verifying the completeness of the accounts receivable aging schedule and the accuracy of the aging interval, while analyzing the age of receivables, historical collection records and the customers' credit risk concentration etc. to test the appropriateness of the expected credit loss rate, in order to evaluate the reasonableness of the Company's assessment of allowance for uncollectible accounts from accounts receivable. In addition, the appropriateness of the management's disclosure of impairment of accounts receivable is also evaluated.

2. Inventory assessment

For accounting policies related to inventory assessment, please refer to Note 4 (7) Inventory of the financial report. For accounting estimates and assumption uncertainty for inventory assessment, please refer to Note 5 of the parent company only financial report. Relevant details can be found in Note 6 (5) net inventory.

Description:

Since inventory is measured by the lower of cost and net realizable value, companies need to employ judgments and estimates to determine the net realizable value of inventory on the reporting date. Due to the rapid evolution in technology, the net realizable value fluctuates and potentially leads to significant changes. Therefore, the assessment for the allowance for price decline in inventories is one of the important evaluation items for the accountant when auditing the Company's parent company only financial report.

How our audit addressed the matter:

Our main audit procedure for the above-mentioned key matters includes obtaining the inventory aging report and checking the general ledger, selecting appropriate samples from the inventory aging report to compare with the transaction documents to verify that the inventory has been placed in the appropriate interval of the inventory aging report, understanding the management's strategy for calculating the net realizable value and checking relevant documents, evaluating the reasonableness of the inventory price decline and the policy for taking stock of obsolete and slow-moving inventories, assessing whether the inventory evaluation has been implemented in accordance with the established accounting policies, and evaluating whether the management's disclosure for allowance for price decline in inventories is reasonable.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

I. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

V. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current year 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.

KPMG

		Allan Yu
CPA	:	
		Grace Lu
Securities Competent Authority Approval No.	:	(88) Taiwan Financial Securities No.18311 FSC Ref. No.1000028068
March 24, 2020		

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This English version is a translation based on the original Chinese version.
Where any discrepancy arises between the two versions, the Chinese version shall prevail.

APAQ TECHNOLOGY CO., LTD.

Balance Sheets

Years ended on December 31, 2019 and 2018

Unit: NT$ thousands

		2019.12.31		2018.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents [Note 6 (1)]	$ 453,063	13	501,198	15
1110	Financial assets at fair value through profit or loss - current [Note 6 (2) and (13)]	-	-	52	-
1120	Financial assets at fair value through other comprehensive income - current [Note 6 (3)]	143,891	4	243,564	7
1170	Accounts receivable [Note 6 (4)]	652,640	18	414,768	12
1180	Accounts receivable - related parties [Note 6 (4) and (7)]	32,283	1	67,336	2
1210	Other accounts receivables - related parties [Note 7]	122,888	4	234,404	7
1310	Net inventories [Note 6 (5)]	131,024	4	197,268	6
1476	Other financial assets - current [Note 6 (5)]	-	-	53	-
1479	Other current assets [Note 6 (10)]	7,646	-	10,775	-
		1,543,435	44	1,669,418	49
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current [Note 6 (3)]	117,349	3	121,084	4
1550	Investments accounted for under equity method [Note 6 (6) and 7]	1,643,854	46	1,397,279	41
1600	Property, plant, and equipment [Note 6 (7)]	117,116	3	138,888	4
1840	Deferred income tax assets [Note 6 (17)]	54,726	2	41,425	1
1755	Right of use assets [Note 6 (8)]	19,754	1	-	-
1780	Intangible assets [Note 6 (11)]	36,986	1	41,260	1
1984	Other financial assets - non-current [Note 6 (9) and 8]	3,971	-	3,778	-
1990	Other non-current assets [Note 6 (10)]	1,512	-	1,615	-
		1,995,268	56	1,745,329	51
	Total assets	**$ 3,538,703**	**100**	**3,414,747**	**100**

		2019.12.31		2018.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings [Note 6 (12)]	$ 834,900	24	673,575	20
2170	Accounts payable	9,018	-	7,151	-
2180	Accounts payable - related parties [Note 7]	368,526	11	407,854	12
2201	Payroll and bonus payable	52,054	1	51,692	2
2213	Payables on equipment	2,955	-	12,480	-
2280	Lease liabilities - current [Note 6 (14)]	6,113	-	-	-
2320	Long-term liabilities due within one year [Note 6 (13)]	2,095	-	-	-
2399	Other current liabilities	40,893	1	72,064	2
		1,316,554	37	1,224,816	36
	Non-current liabilities:				
2570	Deferred income tax liabilities [Note 6 (17)]	-	-	745	-
2530	Bonds payable [Note 6 (13)]	243,423	7	242,273	7
2580	Lease liabilities - non-current [Note 6 (14)]	13,739	-	-	-
		257,162	7	243,018	7
	Total Liabilities	1,573,716	44	1,467,834	43
	Equity [Note 6 (13) and (18)]:				
3100	Share capital	845,011	24	844,419	25
3200	Capital surplus	560,800	16	559,411	15
3300	Retained earnings	680,939	19	622,179	18
3400	Other equity interest	(121,763)	(3)	(51,199)	(1)
3500	Treasury stock	-	-	(27,897)	-
	Total equity	1,964,987	56	1,946,913	57
	Total liabilities and equity	**$ 3,538,703**	**100**	**3,414,747**	**100**

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng **Manager: Shi-dong Lin** **Accounting manager: Pei-lin Lee**

APAQ TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

Years ended on December 31, 2019 and 2018

Unit: NT$ thousands

		2019 Amount	2019 %	2018 Amount	2018 %
4110	**Net sales revenue [Note 6 (20) and 7]**	$ 1,770,683	100	1,611,975	100
5110	**Cost of goods sold [Note 6 (5), (14), (15), (16), (21) and 7]**	1,535,272	87	1,241,128	77
5950	**Gross profit**	235,411	13	370,847	23
5910	More: Unrealized sales profit and loss [Note 7]	3,260	-	-	-
5900	**Realized gross profit**	238,671	13	370,847	23
6000	**Operating expenses [Note 6 (14), (15), (16), (21) and 7]**				
6100	Selling expenses	51,148	3	49,078	3
6200	General and administrative expenses	68,252	4	70,997	4
6300	Research and development expenses	54,256	3	54,787	4
	Total operating expenses	173,656	10	174,862	11
6900	**Operating profit**	65,015	3	195,985	12
7000	**Non-operating income and expenses:**				
7020	Other gains and losses [Note 6 (13) and (22)]	13,230	1	26,141	2
7050	Finance costs [Note 6 (13), (14) and (22)]	(17,105)	(1)	(13,426)	(1)
7100	Interest revenue	9,004	1	9,117	-
7230	Net foreign exchange gain [Note 6 (23)]	(17,921)	(1)	26,426	2
7370	Share of profit of associates accounted for under equity method [Note 6 (6)]	119,793	7	(28,575)	(2)
	Total non-operating income and expenses	107,001	7	19,683	1
7900	**Profit before income tax**	172,016	10	215,668	13
7950	**Less: Income tax expense [Note 6 (17)]**	32,945	2	33,325	2
	Profit for the year	139,071	8	182,343	11
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8316	Unrealized gain (loss) on valuation of equity investment at fair value through other comprehensive income	(13,048)	(1)	18,733	1
	Other comprehensive income (loss) that will not be reclassified to profit or loss	(13,048)	(1)	18,733	1
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Financial statements translation differences of foreign operations	(68,304)	(4)	(20,439)	(1)
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss [Note 6 (17)]	13,661	1	5,468	-
	Other comprehensive income (loss) that will be reclassified to profit or loss	(54,643)	(3)	(14,971)	(1)
8300	**Other comprehensive income (net, after tax)**	(67,691)	(4)	3,762	-
	Total comprehensive income	**$ 71,380**	**4**	**186,105**	**11**
	Earnings per share (Unit: NT$) [Note 6 (19)]				
9750	Basic earnings per share	**$**	**1.66**		**2.24**
9850	Diluted earnings per share	**$**	**1.61**		**2.19**

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Statements of Change in Equity
Years ended on December 31, 2019 and 2018

Unit: NT$ thousands

	Equity				Retained earnings				Other equity items				
	Share capital - common stock	**Capital collected in advance**	**Total**	**Capital surplus**	**Legal capital reserve**	**Special reserve**	**Unappropriated retained earnings**	**Total**	**Financial statements translation differences of foreign operations**	**Interest (loss) of equity instrument investment at fair value through other comprehensive income**	**Total**	**Treasury stock**	**Total equity**
Balance as of January 1, 2018	$ 731,901	29,046	760,947	243,704	88,615	34,568	468,406	591,589	(45,141)	(5,365)	(50,506)	(71,286)	1,474,448
Profit for the year	-	-	-	-	-	-	182,343	182,343	-	-	-	-	182,343
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(14,971)	18,733	3,762	-	3,762
Total comprehensive income for the year	-	-	-	-	-	-	182,343	182,343	(14,971)	18,733	3,762	-	186,105
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,910	-	(18,910)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	9,521	(9,521)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(156,208)	(156,208)	-	-	-	-	(156,208)
Transfer of treasury stock to employees	-	-	-	3,642	-	-	-	-	-	-	-	5,133	8,775
Issuance of common stock for cash	55,000	-	55,000	207,716	-	-	-	-	-	-	-	-	262,716
Issuance of common stock for cash and retained employee compensation	-	-	-	7,624	-	-	-	-	-	-	-	-	7,624
Issuance of convertible corporate bonds	-	-	-	11,825	-	-	-	-	-	-	-	-	11,825
Conversion of convertible corporate bonds	80,718	(29,046)	51,672	127,853	-	-	-	-	-	-	-	-	179,525
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(27,897)	(27,897)
Disposal of treasury stock	(23,200)	-	(23,200)	(42,953)	-	-	-	-	-	-	-	66,153	-
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	4,455	4,455	-	(4,455)	(4,455)	-	-
Balance as of December 31, 2018	844,419	-	844,419	559,411	107,525	44,089	470,565	622,179	(60,112)	8,913	(51,199)	(27,897)	1,946,913
Profit for the year	-	-	-	-	-	-	139,071	139,071	-	-	-	-	139,071
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(54,643)	(13,048)	(67,691)	-	(67,691)
Total comprehensive income	-	-	-	-	-	-	139,071	139,071	(54,643)	(13,048)	(67,691)	-	71,380
Earnings appropriation and distribution:													
Legal reserve appropriated	-	-	-	-	18,235	-	(18,235)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	7,110	(7,110)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(83,184)	(83,184)	-	-	-	-	(83,184)
Conversion of convertible corporate bonds	-	592	592	1,389	-	-	-	-	-	-	-	-	1,981
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	-	38,055	38,055
Treasury stock buyback	-	-	-	-	-	-	-	-	-	-	-	(10,158)	(10,158)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	2,873	2,873	-	(2,873)	(2,873)	-	-
Balance as of December 31, 2019	**$ 844,419**	**592**	**845,011**	**560,800**	**125,760**	**51,199**	**503,980**	**680,939**	**(114,755)**	**(7,008)**	**(121,763)**	**-**	**1,964,987**

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng **Manager: Shi-dong Lin** **Accounting manager: Pei-lin Lee**

APAQ TECHNOLOGY CO., LTD.
Statements of Cash Flows
Years ended on December 31, 2019 and 2018

Unit: NT$ thousands

		2019	2018
Cash flows from operating activities:			
Profit before tax for the year	$	172,016	215,668
Adjustments:			
Income and expenses having no effect on cash flows			
Depreciation		30,962	15,281
Amortization		4,274	5,036
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		52	432
Interest expense		17,105	13,426
Interest revenue		(9,004)	(9,117)
Dividend income		(8,873)	(2,220)
Allowance for loss on market value decline and obsolete and slow-moving inventories		1,500	-
Compensation cost relating to share-based payment		-	11,266
Share of corporate profit or loss recognized under the equity method		(119,793)	28,575
Loss (gain) on disposal and retirement of property, plant, and equipment		(3,976)	(3,574)
Unrealized sales (purchasing materials) profit and loss between associates		(3,260)	4,131
Other net expenses (gain) having no effect on cash flows		-	4,775
Total income and expense items		(91,013)	68,011
Changes in assets/liabilities relating to operating activities			
Accounts receivable		(237,872)	169,592
Accounts receivable - related parties		35,053	11,315
Other accounts receivable - related parties		45,746	7,715
Inventories		64,744	(125,208)
Other operating assets		3,182	(2,390)
Accounts payable		1,867	2,292
Accounts payable - related parties		(39,328)	127,465
Other operating liabilities		3,488	3,384
Total adjustments for reconcile profit (loss)		(214,133)	262,176
Cash flows from operating activities		(42,117)	477,844
Interest received		10,404	5,344
Dividends received		8,873	2,220
Interest paid		(12,094)	(13,116)
Income tax paid		(64,052)	(15,655)
Net cash flows from operating activities		(98,986)	456,637
Cash flows from investing activities:			
Financial assets at fair value through other comprehensive gains and losses - current-		-	(202,319)
Disposal of financial assets measured at fair value through other comprehensive income - current-		82,862	27,370
Financial assets at fair value through other comprehensive gains and losses - non-current-		-	(56,150)
Disposal of financial assets measured at fair value through other comprehensive income - non-current-		7,500	-
Acquisition of investments accounted for under equity method		(187,853)	(350,065)
Acquisition of property, plant, and equipment		(12,890)	(43,860)
Disposal of property, plant, and equipment		3	200
Increase (decrease) in other receivables - related parties-		64,370	(184,290)
Increase in other financial assets		(193)	-
Decrease in other non-current assets		103	25
Net cash flows used in investing activities		(46,098)	(809,089)
Cash flows from financing activities:			
Increase in short-term borrowings		270,000	725,000
Repayment of short-term borrowings		(105,000)	(630,000)
Issuance of convertible corporate bonds		-	245,804
Repayment of the principal amount of rentals		(5,727)	-
Cash dividends paid		(83,184)	(156,208)
Issuance of common stock for cash		-	262,716
Cost for treasury stock buyback		(13,520)	(27,897)
Transfer of treasury stocks to employee		38,055	5,133
Cash flows from (used for) financing activities		100,624	424,548
Effect of exchange rate changes		(3,675)	-
Increase (decrease) in cash and cash equivalents		(48,135)	72,096
Cash and cash equivalents, beginning of year		501,198	429,102
Cash and cash equivalents, end of the year	$	453,063	501,198

(Please see notes for the parent company only financial statements)

Chairman: Dr. DJ Zheng Manager: Shi-dong Lin Accounting manager: Pei-lin Lee

APAQ TECHNOLOGY CO., LTD.
Notes to the Parent Company Only Financial Statements
2019 and 2018
(The unit for all amounts expressed are in thousands of NTD unless otherwise stated)

I. History and Organization

APAQ TECHNOLOGY CO., LTD. (hereinafter referred to as the Company) was established on December 23, 2005 with the registered address at 4F., No.2 and 6, Kedong 3rd Rd., Chunan Township, Miaoli County. The Company's stock has been listed and traded at TWSE since December 9, 2014.

The core business of the Company focuses on the research, development, manufacturing, and sales of electronic components.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

III. Application of New Standards, Amendments, and Interpretations

(I) Effect of the adoption of new issuances of or amendments to the guidelines as endorsed by the Financial Supervisory Commission

The Company has adopted International Financial Reporting Standards approved by the Financial Supervisory Commission (hereinafter as FSC) since 2019 to prepare the parent company financial statements. New standards, interpretations and amendments endorsed by FSC are as follows:

New Standards, Amendments, and Interpretations	Effective date by International Accounting Standards Board
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS 20152017-	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact on the parent company only financial statements. The nature and effect of significant impact on the financial statements is described below:

1. IFRS 16: "Leases"

IFRS 16 replaces the existing leases guidance, including 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 Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

(1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (11).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after the date of initial application.

(2) As a lessee

As a lessee, the Company previously classified leases as operating, or finance leases based on its assessment of whether the lease significantly transferred all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as of the date of initial application Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases:

a. Applied a single discount rate to a portfolio of leases with similar characteristics.
b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(3) Impact on financial statements

On transition to IFRS 16, the Company recognized NT$$31,469,000 and NT$19,495,000 of right-of-use assets and lease liabilities as of the date of initial application. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of the date of initial application. The weighted-average rate applied is 1.1509%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	2019.1.1
Operating lease commitment at December 31, 2018 as disclosed in the parent company only financial statements	$ 17,676
Recognition exemptions:	
Leases of low-value assets	(96)
The option to reasonably ascertain the extension or termination of the lease	$ 2,396
	19,976
Amount discounted at the incremental borrowing rate of January 1, 2019	$ 19,495
Amount of finance lease obligations recognized as of December 31, 2018	-
Amount of lease liability recognized as of January 1, 2019	**$ 19,495**

2. IFRIC 23 - Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have the full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of IFRIC 23 did not have any significant impact on the Company's financial statements.

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

In accordance with Decree No. 1080323028 of the FSC published on July 29, 2019, listed companies shall fully adopt IFRSs endorsed by the FSC with an effective date in 2020. New standards, interpretations and amendments endorsed by FSC are as follows:

New Standards, Amendments, and Interpretations	**Effective date by International Accounting Standards Board**
Amendments to IFRS 3 "Definition of a Business"	January 1st, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1st, 2020
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1st, 2020

The application of the newly endorsed IFRSs will not have a material impact on the parent company only financial statements.

(III) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Amendments, and Interpretations	**Effective date by IASB**
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be decided by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

The Company is in the process of evaluating the impact on its financial position and performance of the adoption of the aforementioned standards and interpretations. The results thereof will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

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

(I) Statement of Compliance

The parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter known as "the Regulations").

(II) Basis of Preparation

1. Basis of measurement

Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets measured at fair value through profit or loss;

(b) Financial assets/liabilities measured at fair value through profit or loss through other comprehensive income.

2. Functional currency and presentation currency

The Company takes the currency of the primary economic environment in which it operates as the functional currency. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. The unit for all amounts expressed are in thousands of NTD unless otherwise stated.

(III) Foreign Currency

1. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Foreign currency exchange differences arising from conversion are generally recognized in profit or loss, but equity instruments designated as fair value through other comprehensive income are recognized in other comprehensive income.

2. Foreign operations

Assets and liabilities of foreign operations are converted to NTD (representation currency of the consolidated financial statements) at the exchange rate on the reporting date. All income and expense items are converted to NTD at the current average exchange rate, and the difference is recognized as other comprehensive income.

(IV) Classification of current and non-current items

Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

1. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
2. Assets held mainly for trading purposes;
3. Assets that are expected to be realized within twelve months from the balance sheet date; or
4. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

1. Liabilities that are expected to be paid off within the normal operating cycle;
2. Liabilities arising mainly from trading activities;
3. Liabilities that are to be paid off within twelve months from the balance sheet date; or
4. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of

the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. 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.

(V) Cash and cash equivalents

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

(VI) Financial Instruments

The accounts receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Company became a party to the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than accounts receivable that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. The accounts receivable that do not contain a significant financing component are measured at transaction prices.

1. Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the Company consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date.

Financial assets are classified into the following categories: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit and loss.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets measured at fair value through other comprehensive income

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

An investment through equity instrument is subsequently measured at fair value. Dividend income is recognized as equity, and the remaining net profit or loss is recognized as other comprehensive profit or loss that is not reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the consolidated company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(3) Financial assets measured at fair value through profit and loss

All financial assets not classified as amortized cost or measured at fair value through other comprehensive income described as above are measured at fair value through profit and loss, including derivatives. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net benefits or losses (including any dividends and interest income) are recognized as profit or loss.

(4) Impairment of financial assets

The Company recognizes loss allowances for ECL on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the consolidated company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings.-

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due and the borrower is unlikely to pay its credit obligations to the consolidated company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the consolidated company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The Company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset.

The allowance loss of financial assets measured through amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company analyzes the timing and amount of the write-off individually on the basis of whether it can reasonably be expected to be recovered. The Company expects that the amount written off will not be materially reversed. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets, or when the consolidated company has neither transferred nor retained ownership of all risks and rewards or control over said financial assets.

When the Company signs a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equities

Debt and equity instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

(2) Equity transactions

Equity instruments refer to any contracts containing the Company’s residual interest after subtracting liabilities from assets. The equity instrument issued by the consolidated company shall be recognized by the payment net of the direct cost of issuance.

(3) Treasury stock

When buying back the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury stocks. For subsequent sales or re-issuance of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

(4) Composite financial instruments

The composite financial instruments issued by the Company refer to corporate bonds for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the originally recognized amount is measured at fair value through similar liability of equity conversion option. For the components of equity, the originally recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity.

After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

(5) Financial liabilities

Financial liabilities are classified as amortized costs or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value. All related net benefits and losses, including any interest expenses, are recognized as profit or loss.

Other financial liabilities are measured at amortized cost by the effective interest method. Interest income and foreign currency profit or loss are recognized as profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

When derecognizing financial liabilities, the difference between the carrying amount of a financial liability and the consideration paid (including all transferred non-cash assets or liabilities) is recognized in non-operating income and expenses.

(7) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the it has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

Embedded derivatives are treated separately from the main contract when they meet certain conditions and the main contract is not a financial asset. Derivative instruments are initially measured at fair value. Subsequent measurements are based on fair value, and the resulting benefits or losses are directly recognized as profit or loss.

(VII) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the standard cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(VIII) Investments accounted for under equity method

In preparation of parent company only financial statements, the Company uses equity method for investments with controlling interests. Under equity method, allocated amount in income (loss) of parent company only financial reports, consolidated financial reports prepared, and other comprehensive income (loss) attributable to shareholders of the parent Company are the same. Shareholders' equity in parent company only financial reports and equity attributable to shareholders of the parent Company in consolidated financial reports are the same.

If change of ownership in the Company's subsidiaries does not lead to loss of control, the change is considered equity transaction between shareholders.

(IX) Property, plant, and equipment

1. Recognition and measurement

Property, plant, and equipment are measured by cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

As the useful life of property, plant and equipment varies, they are deemed as independent items (main components) for treatment.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognized as non-operating income and expenses.

2. Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Company.

C. Depreciation

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is recognized in profit or loss within the estimated useful life of each component.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(1) Machinery and instruments: 4-8 years

(2) Other equipment and others: 4-8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted when necessary.

(X) Lease

Applicable from January 1, 2019

1. Lease judgment

The Company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease. In order to evaluate whether the contract is a lease, the Company evaluates the following items:

(1) The contract involves the use of an identified asset that is explicitly specified in the contract or implied by the time when it is available for use. Its entity can distinguish or represent substantially all of its production capacity. If the supplier has substantive rights to replace the asset, the asset is not an identified asset; and

(2) The right to obtain almost all economic benefits from the use of identified assets throughout the period of use; and

(3) To obtain the right to lead the use of identified assets when one of the following conditions is met:

- The client has the right to decide the use of the identified assets and the purpose of use throughout the period of use.
- Relevant decisions about the way of use and purpose of the asset are made in advance, and:
- The client has the right to operate the asset during the entire use period, and the supplier does not have the right to change the operation instructions; or
- The way in which the client plans the asset has pre-determined the way and purpose of use for the entire period of use.

Upon the conclusion of the lease or when reassessing whether the contract includes a lease, the Company allocates the consideration in the contract to the individual lease components on the basis of the relative individual price. However, when leasing land and buildings, the Company chooses not to distinguish between non-lease components and treats the lease component and non-lease component as a single lease component.

2. Lessee

The Company recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the consolidated company is used. Generally speaking, the Company adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

(1) Fixed benefits, including substantial fixed benefits;
(2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
(3) The residual value guarantee expected to be paid; and
(4) When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

(1) Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
(2) Changes in the residual value guarantee expected to be paid;
(3) Changes in the evaluation of the underlying asset purchase option;
(4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
(5) Modification of lease subject, scope, or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

The Company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment real estate as separate line items in the balance sheet.

<u>Applicable before January 1, 2019</u>

The lease of the consolidated company is an operating lease, and the rent payment is recognized as an expense during the lease period according to the straight-line method.

(XI) Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized as profit or loss when incurred.

Development expenditures are only capitalized when they can be reliably measured, when the technical or commercial feasibility of the product or process has been achieved, when future economic benefits are likely to flow into the Company, and when the consolidated company intends and has sufficient resources to complete the development for use or for sale. Other development expenditures are recognized in profit or loss when incurred. After the initial recognition, capitalized development expenditures are measured by its cost less accumulated amortization and accumulated impairment.

2. Subsequent expenses

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, the straight-line method is recognized as profit or loss within their estimated useful life.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(1) Computer software: 3 years

(2) Royalties: 12 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be adjusted when necessary.

(XII) Impairments of non-financial assets

The Company assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If there is any sign of impairment, an estimate is made of its recoverable amount. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the combined effect of the merger.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

Impairment loss is recognized immediately in profit or loss, and first reduces the carrying amount of the goodwill of the cash-generating unit, and then reduces the carrying amount of each asset in proportion to the carrying amount of other assets in the unit.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will only be reversed if they do not exceed the carrying amount (less depreciation or amortization) determined when no impairment loss had been recognized for the asset in the previous year.

(XIII) Revenue from contract with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Company's main types of revenue are explained below:

1. Sales of products

The Company engages in business such as research, development, production, manufacturing, and sales of electronic components. The Company recognizes revenue when control of the products has transferred. The control of the products has transferred when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2. Financial component

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the consolidated company does not adjust any of the transaction prices for the time value of money.

(XIV) Employee benefits

1. Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognized as expenses for the periods during which services are rendered by employees.

2. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered. A liability is recognized for the amount expected to be paid if the consolidated company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(XV) Share-based payment

Equity-delivered share-based payment agreement is recognized at the fair value of the grant date with a corresponding increase in equity during the vesting period of the reward. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share- based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(XVI) Income Tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, as well as tax adjustments related to prior years. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   (1) levied by the same taxing authority; or
   (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

(XVII) Earnings per Share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares include convertible bonds payable and employee remuneration through the issuance of shares.

(XVIII) Segment Information

The Company has disclosed information of operating segments in consolidated financial statements. Therefore, related information is not disclosed in the parent company only financial statements.

V. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

Accounting policies involve significant judgments. Information that has a significant impact on the parent company only financial statements is as follows:

(I) Allowance loss of accounts receivable

The Company has estimated the allowance loss of accounts receivable that is based on the risk of a default occurring and the rate of ECL. The Company has considered historical experience, current economic conditions, and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

(II) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6 (5) for further description of the valuation of inventories.

The accounting policy and disclosure of the Company include adopting fair value to measure financial, non-financial assets and liabilities. The Company's finance department determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Company also periodically assesses the evaluation model, performs retrospective tests, and updates inputs together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The Company evaluates the assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used and is categorized as follows:

(I) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(II) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(III) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For the transition among different levels of fair value, the Company shall recognize it on the reporting date.

For the assumption used in fair value measurement, please refer to note 6 (23) of the financial instruments.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash and demand deposit	$ 324,138	299,809
Time deposits	128,925	201,389
Cash and cash equivalents	**$ 453,063**	**501,198**

Please refer to note 6 (23) for the disclosure of currency risk of the financial assets and liabilities.

Please refer to note 6 (24) for the disclosure of credit risks.

(II) Financial assets measured at fair value through profit and loss - current

	2019.12.31	2018.12.31
Redemption rights - payable convertible corporate bonds	$ -	52

(III) Financial assets measured at fair value through other comprehensive income:

1. Current:

	2019.12.31	2018.12.31
Domestic listed securities	$ 143,891	243,564

The Company's new investment in 2018 was the acquisition of shares of companies such as Walton Chaintech Corporation for the price of NT$202,319,000.

The Company sold part of its financial assets - current measured at fair value through other comprehensive profit and loss in 2019 and 2018. The fair value at the time of disposal was NT$82,862,000 and NT$27,370,000 respectively, and the cumulative disposal benefits were NT$10,373,000 and NT$4,455,000. The aforesaid accumulated disposal benefits have been transferred from other interests to retained earnings.

2. Non-current:

	2019.12.31	2018.12.31
Domestic and foreign unlisted shares		
Foxfortune Technology Ventures Limited	$ 42,551	24,843
Inpaq Korea Co., Ltd.	701	705
Chia-Lin Venture Capital Co., Ltd.	20,125	21,226
Taiwan Innovative Space Inc.	-	19,508
Kuan Kun Electronic Enterprise Co., Ltd.	49,468	51,056
AICP Technology Corporation	4,504	3,746
	$ 117,349	121,084

Information on major foreign currency equity investments as of the reporting date is as follows:

	2019.12.31			2018.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
USD	$ 1,017	29.98	30,490	1,017	30.715	31,237

Equity instruments held by the Company are strategic long-term investments and not for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

The Company's new investments for 2018 include in Kuan Kun Electronic Enterprise Co., Ltd. and AICP Technology Corporation, with a total acquisition price at NT$56,150,000.

The Company sold part of its non-current financial assets measured at fair value through other comprehensive profit and loss in 2019. The fair value at the time of disposal was NT$7,500,000, and the cumulative disposal loss was NT$7,500,000 has been transferred from other equity to retained earnings.

The Company has designated the aforementioned items as an equity instrument investment measured at fair value through other comprehensive income. The dividend income recognized in 2019 and 2018 was NT$8,873,000 and NT$2,220,000, respectively.

(IV) Accounts receivable

	2019.12.31	2018.12.31	2018.1.1
Accounts receivable	$ 652,640	414,768	584,360

The Company adopts a simplified method to estimate the expected credit loss for all receivables (including related parties), that is, the expected credit loss measurement during the lifetime. For this purpose, these receivables paid on behalf of the customer in accordance with the contract are categorized based on common credit risk characteristics of the amount due capacity with forward-looking information incorporated, including general economic and related industry information.

The expected credit losses of the Company's receivables (including related parties) are analyzed as follows:

	2019.12.31		
	Carrying amount of accounts receivable (including related parties)	**Rate of expected lifetime credit loss**	**Allowance of expected lifetime credit loss**
Not past due	$ 674,497	0%	-
Past due 0-60 days	10,426	0%	-
Past due 61-90 days	-	0%	-
Past due more than 91 days	-	100%	-
Total	$ 684,923		-

	2018.12.31		
	Carrying amount of accounts receivable (including related parties)	**Rate of expected lifetime credit loss**	**Allowance of expected lifetime credit loss**
Not past due	$ 470,664	0%	-
Past due 0-60 days	11,440	0%	-
Past due 61-90 days	-	0%	-
Past due more than 91 days	-	100%	-
Total	$ 482,104		-

Other receivables - related parties are not included in the above-mentioned receivables. Please refer to Note 7 for details.

In 2019 and 2018, the Company did not include any impairment losses for receivables (including related parties). In addition, the application of the IFRS 9 would not require any adjustments.

Please refer to Note 6 (23) for details of remaining credit risk information.

(V) Inventories, net

	2019.12.31	2018.12.31
Raw materials	$ 11,526	13,706
Work in process and semi-finished products	5,976	-
Finished goods and commodity	113,522	183,562
	$ 131,024	197,268

The details of operating costs were as follows:

	2019	2018
Cost of goods sold	$ 1,533,777	1,241,128
Inventory devaluation loss	1,500	-
Revenue from sale of scrap	(5)	-
	$ 1,535,272	1,241,128

(VI) Investments accounted for using equity method

Investments of the Company under equity method at reporting date are listed below:

	2019.12.31	2018.12.31
Subsidiary	$ 1,643,854	1,397,279

1. Please refer to the consolidated financial statements of 2019 for information regarding the subsidiaries.
2. The Company's share in subsidiary profits and losses:

	2019	2018
Subsidiary	$ 119,793	(28,575)

3. The Company invested RMB 9,800,000 in Shenzhen Gather Electronics Science Co., Ltd. on July 1, 2018 to obtain a 35% equity interest and thus obtained significant influence on the company. In addition, the Company started investing in Apaq Technology (Hubei) Co., Ltd. in 2019 with USD 500,000 in remittance and directly held 100% by the Company.

(VII) Property, plant, and equipment

	Machinery and equipment	Other equipment and others	Equipment to be inspected	Total:
Cost:				
Balance as of January 1, 2019	$ 143,044	36,215	6,540	185,799
Additions	315	3,050	-	3,365
Disposals and obsolescence	(231)	(215)	-	(446)
Reclassification	-	770	(770)	-
Balance as of December 31, 2019	**$ 143,128**	**39,820**	**5,770**	**188,718**
Balance as of January 1, 2018	$ 37,168	25,886	80,034	143,088
Additions	37,306	7,257	752	45,315
Disposals and obsolescence	(1,595)	(1,009)	-	(2,604)
Reclassification	70,165	4,081	(74,246)	-
Balance as of December 31, 2018	**$ 143,044**	**36,215**	**6,540**	**185,799**
Depreciation:				
Balance as of January 1, 2019	$ 29,707	17,204	-	46,911
Depreciation for the period	19,002	6,135	-	25,137
Disposals and obsolescence	(231)	(215)	-	(446)
Balance as of December 31, 2019	**$ 48,478**	**23,124**	**-**	**71,602**
Balance as of January 1, 2018	$ 20,912	13,322	-	34,234
Depreciation for the period	10,390	4,891	-	15,281
Disposals and obsolescence	(1,595)	(1,009)	-	(2,604)
Balance as of December 31, 2018	**$ 29,707**	**17,204**	**-**	**46,911**
Carrying Amount:				
December 31, 2019	**$ 94,650**	**16,696**	**5,770**	**117,116**
January 1, 2018	**16,256**	**12,564**	**80,034**	**108,854**
December 31, 2018	**$ 113,337**	**19,011**	**6,540**	**138,888**

(VIII) Right-of-use assets

		Building	Transportation equipment	Total:
Cost of right-of-use assets:				
Balance as of January 1, 2019	$	-	-	-
Adjustment for retrospective application of new standards		18,413	1,082	19,495
Additions		6,084	-	6,084
Balance as of December 31, 2019	**$**	**24,497**	**1,082**	**25,579**
Depreciation of right-of-use assets:				
Balance as of January 1, 2019	$	-	-	-
Depreciation for the period		5,342	483	5,825
Balance as of December 31, 2019	**$**	**5,342**	**483**	**5,825**
Carrying amount of right-of-use assets:				
December 31, 2019	**$**	**19,155**	**599**	**19,754**

The Company leased offices under business lease in 2018. Please refer to Note 6 (15).

(IX) Other financial assets - current and non-current

		2019.12.31	2018.12.31
Refundable deposit	$	3,971	3,778
Other receivables		-	53
	$	**3,971**	**3,831**

(X) Other assets - current and non-current

		2019.12.31	2018.12.31
Business tax credit	$	6,074	7,997
Prepayment		699	1,962
Prepaid expenses		864	806
Prepaid equipment deposits and others		1,521	1,625
	$	**9,158**	**12,390**

(XI) Intangible assets

	Computer software	Royalties	Total
Cost:			
Balance as of January 1, 2019	$ 3,552	45,038	48,590
Balance as of December 31, 2019	**$ 3,552**	**45,038**	**48,590**
Balance as of January 1, 2018	$ 3,552	45,038	48,590
Balance as of December 31, 2018	**$ 3,552**	**45,038**	**48,590**
Amortization and impairment loss:			
Balance as of January 1, 2019	$ 2,951	4,379	7,330
Amortization for the period	521	3,753	4,274
Balance as of December 31, 2019	**$ 3,472**	**8,132**	**11,604**
Balance as of January 1, 2018	$ 1,668	626	2,294
Amortization for the period	1,283	3,753	5,036
Balance as of December 31, 2018	**$ 2,951**	**4,379**	**7,330**
Carrying Amount:			
December 31, 2019	**$ 80**	**36,906**	**36,986**
January 1, 2018	**$ 1,884**	**44,412**	**46,296**
December 31, 2018	**$ 601**	**40,659**	**41,260**

(XII) Short-term Borrowing

	2019.12.31	2018.12.31
Unsecured bank loans	**$ 834,900**	**673,575**
Unused limit	**$ 365,140**	**597,140**
Interest range	**1.1%~ 2.95%**	**1.1%~ 3.5%**

(XIII) Convertible corporate bonds payable

1. The Company issued the first domestic unsecured conversion of corporate bonds on March 1, 2017. The issuance period is three years. The relevant information in the financial statements is as follows:

	2019.12.31	2018.12.31
Total amount of issuing convertible corporate bonds	$ 300,000	300,000
Less: unamortized payable corporate bond discount	(5)	(112)
Less: accumulated converted ordinary shares	(297,900)	(295,900)
Less: long-term liabilities due within one year	(2,095)	-
Payable corporate bond balance at the end of the period	**$ -**	**3,988**
Embedded derivatives - redemption rights (presented in financial assets measured at fair value through profit or loss-current)	**$ -**	**2**

	2019	2018
Embedded derivatives - redemption rights and losses remeasured at fair value (reported on financial asset evaluation losses (interests))	**$ 2**	**(43)**
Interest expense	**$ 88**	**571**

The significant terms of the issuances are as follows:

(1) Conversion price and adjustments:

February 18, 2017 is set as the conversion price base date, and the simple arithmetic average of the closing prices of the common shares of the first, third, and fifth business days of the Company before (excluding) the base day is chosen as the base price before multiplying the base price by 102.92% premium rate to calculate the basis. (Calculated to the NTD jiao and rounded up cent). In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling shall be the price after deducting equity or dividend; the conversion price shall be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. The conversion price at the time of issue is NT$38.7 per share. The conversion price on December 31, 2019 and 2018 were NT$33.8 and 34.9, respectively.

(2) The Company's redemption right for the aforementioned conversion of corporate bonds:

i The above-mentioned converted corporate bonds shall start one month after the issuance date to forty days before the expiration of the issuance period. When the price reaches more than 30% (inclusive), the Company may notify the creditors within 30 business days thereafter to recover the principal bond of the bond holder in cash according to the denomination of the bond.

ii From the day following one month after the issuance of the converted corporate bond to forty days before the expiration of the issuance period, if the outstanding balance in circulation is less than 10% of the original issuance amount, the Company may notify the creditors at any time thereafter. The face value of the bond is recovered in cash to the bond holder's principal bond.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item	Amount
Converted corporate bond issuance	$ 300,000
Fair value of embedded non-equity derivatives at the time of issuance	180
Issue cost	(5,307)
Fair value of corporate bonds at the time of issuance	(279,243)
Equity composition items - stock options (listed in the capital reserve - stock options)	**$ 15,630**

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's first unsecured conversion of corporate bonds was 2.38%.

The Company's first unsecured conversion of corporate bonds matured on March 1, 2020, and the OTC trading was terminated on the next business day after the due date. According to Article 6 of the relevant issuance and conversion regulations, the Company will repay the converted corporate bonds in cash at a time according to the remaining bond denomination.

Please refer to Note 6 (18) for the first unsecured conversion of corporate bonds into ordinary shares in 2019 and 2018.

The Company issued the second domestic unsecured conversion of corporate bonds on April 27, 2018. The issuance period is three years. The relevant information in the financial statements is as follows:

	108.12.31	107.12.31
Total amount of issuing convertible corporate bonds	$ 250,000	250,000
Less: unamortized payable corporate bond discount	(6,577)	(11,715)
Payable corporate bond balance at the end of the period	$ 243,423	238,285
Embedded derivatives - redemption rights (presented in financial assets measured at fair value through profit or loss-current)	$ -	50

	2019	2018
Embedded derivatives - redemption rights and losses remeasured at fair value (reported on financial asset evaluation losses (interests))	$ 50	475
Interest expense	$ 5,138	3,782

The significant terms of the issuances are as follows:

(1) Conversion price and adjustments:

April 19, 2018 is set as the conversion price base date, and the simple arithmetic average of the closing prices of the common shares of the first, third, and fifth business days of the Company before (excluding) the base day is chosen as the base price before multiplying the base price by 103.38% premium rate to calculate the basis. (Calculated to the NTD jiao and rounded up cent). In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling shall be the price after deducting equity or dividend; the conversion price shall be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. The conversion price at the time of issuance was NT$63 per share. The conversion price on December 31, 2019 and 2018 were NT$58 and 59.9, respectively.

(2) The Company's redemption right for the aforementioned conversion of corporate bonds:

i The above-mentioned converted corporate bonds shall start one month after the issuance date to forty days before the expiration of the issuance period. When the price reaches more than 30% (inclusive), the Company may notify the creditors within 30 business days thereafter to recover the principal bond of the bond holder in cash according to the denomination of the bond.

ii From the day following one month after the issuance of the converted corporate bond to forty days before the expiration of the issuance period, if the outstanding balance in circulation is less than 10% of the original issuance amount, the Company may notify the creditors at any time thereafter. The face value of the bond is recovered in cash to the bond holder's principal bond.

When the Company issues the above-mentioned converted corporate bonds, it separates the share options and liabilities, and separately recognizes equity and liabilities. The breakdown is as follows:

Item	Amount
Converted corporate bond issuance	$ 250,000
Fair value of embedded non-equity derivatives at the time of issuance	525
Issue cost	(4,196)
Fair value of corporate bonds at the time of issuance	(234,504)
Equity composition items - stock options (listed in the capital reserve - stock options)	**$ 11,825**

After separating the above-mentioned embedded derivative instruments, the effective interest rate of the Company's second unsecured conversion of corporate bonds was 2.13%.

(XIV) Lease liabilities

The carrying amount of the Company's lease liability is as follows:

	2019.12.31
Current liability	$ 6,113
Non-current	$ 13,739

For maturity analysis, please refer to Note 6 (23) Financial Instruments.

	2019
Interest expense on lease liability	$ 230

The amounts recognized in the statements of cash flows are:

	2019
Total cash outflow for lease	$ 5,957

Leasing of houses and buildings

The Company leased houses and buildings as office premises and factory buildings on December 31, 2019 with the period of 1 to 5 years. Some leases include the option to extend for the same period when the lease expires.

Some of the above-mentioned leases include the option to extend. These leases are managed by each region, so the individual terms and conditions agreed are different within the Company. These options are only enforceable by the consolidated company rather than the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

(XV) Operating Lease

Tenant lease

The payable rent for non-cancellable operating lease is as follows:

	2018.12.31
Within one year	$ 5,299
1-5 years	12,377
	$ 17,676

(XVI) Employee benefits

The Company allocates 6% of each employee's monthly wages to the personal labor pension account at the Bureau of Labor Insurance, Ministry of Labor in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance, Ministry of Labor without additional legal or constructive obligation. The Company's pension costs under the defined contribution plan were NT$3,170,000 NT$2,956,000 for 2019 and 2018, respectively.

(XVII) Income Tax

1. Income tax expense

The amounts of the Company's income tax expenses for 2019 and 2018 were as follows:

		2019	2018
Current income tax expense (benefit)			
Current period	$	32,923	45,261
Adjustment for prior period		407	(2,512)
		33,330	42,749
Deferred income tax expense (benefit)			
Origination and reversal of temporary differences		(385)	(6,253)
Adjustment in tax rate		-	(3,171)
		(385)	(9,424)
Current income tax expenses	**$**	**32,945**	**33,325**

2. The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

		2019	2018
Exchange differences on translation of foreign financial statements	$	13,661	4,088
Adjustment in tax rate		-	1,380
	$	**13,661**	**5,468**

3. The reconciliation of income tax expenses and income before income tax was as follows:

	2019	2018
Profit before income tax	$ 172,016	215,668
Income tax at the Company's domestic tax rate	34,403	43,134
Change in income tax rate	-	(3,171)
Additional tax on undistributed earnings	3,913	446
Permanent difference and others	(5,778)	(11,073)
Over (under)-provision in prior periods	407	3,989
Total	**$ 32,945**	**33,325**

4. Deferred tax assets and liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company plans to use undistributed earnings for permanent investment rather than distribution. The amounts are as follows:

	2019.12.31	2018.12.31
Undistributed earnings from subsidiaries	**$ 486,132**	**440,756**
Unrecognized deferred tax liabilities	**$ (97,226)**	**(88,151)**

5. Recognized deferred tax assets (liabilities)

Deferred income tax assets

	2018.1.1	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2018.12.31	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2019.12.31
Loss for market price decline and obsolete and slow-moving inventories	$ 356	(63)	-	419	(300)	-	719
Unrealized expenses	10,554	2,061	-	8,493	(10,575)	-	19,068
Unrealized profit between associates	3,424	(15,243)	-	18,667	15,834	-	2,833
Financial statements translation differences of foreign operations	7,822	-	(5,468)	13,290	-	(13,661)	26,951
Unrealized exchange loss	3,085	3,085	-	-	(4,689)	-	4,689
Other	547	(9)	-	556	90	-	466
	$ 25,788	**(10,169)**	**(5,468)**	**41,425**	**360**	**(13,661)**	**54,726**

Deferred income tax liabilities

	2018.1.1	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2018.12.31	Debit (credit) balance sheet	Debit (credit) other comprehensive income statement	2019.12.31
Unrealized exchange gains	$ -	745	-	(745)	(745)	-	-

6. The ROC income tax authorities have examined the Company's income tax returns through 2017.

(XVIII) Capital and other equity

1. Shares

As of December 31, 2019 and 2018, the authorized capital of the Company amounted to $2,000,000,000, of which included the amount of $60,000,000 reserved for employee share options; the issued capital amounted to $845,011,000 and $844,419,000, respectively at $10 per share.

The reconciliation for outstanding shares is as follows (expressed in thousand shares):

	Ordinary shares	
	2019	2018
Balance as of January 1	83,514	73,595
Treasury stock repurchase	(330)	(928)
Conversion of convertible corporate bonds	60	5,167
Issuance of common stock for cash	-	5,500
Transfer of treasury stock to employees	1,258	180
Balance as of December 31	**84,502**	**83,514**

In 2019, the Company issued 60,000 new shares due to the conversion rights of convertible corporate bonds exercised by holders. The shares were issued in denominations with a total amount of NT$592,000,000. The statutory registration process for the aforementioned issuance of new shares has not yet been completed. The new shares were listed as pre-received share capital on December 31, 2019.

The Company issued 2,905,000 new shares due to the conversion of convertible corporate bonds on December 31, 2017. Since the legal registration procedure has not been completed, the total pre-received capital was NT$29,046,000 on December 31, 2017. As of December 31, 2018, all of the shares have been converted into ordinary share capital. In addition, from January 1 to December 31, 2018, 5,167,000 new shares were issued due to the conversion of convertible corporate bonds, and the legal registration procedure has been completed.

The net increase in capital reserves due to the conversion of corporate bonds in 2019 and 2018 was NT$1,389,000 and NT$127,853,000, respectively.

The Company approved an issuance of 5,500,000 thousand shares on February 27, 2018 by the Board of Directors. The issued price of NT$48 per share was approved by the Board of Directors on April 19, 2018 with the legal registration procedures completed. In addition, the Company recognizes that the remuneration cost of subscription reserved for employees as NT$7,624,000.

In order to replenish the working capital, repay bank loans and facilitate future development of new strategic businesses and technologies, the Company decided on a private offering within 30,000,000 shares at the shareholders' meeting on February 26, 2018. The issued price was NT$10 per share, and the Board has been authorized to execute the offering in two closings. The aforesaid private placement will expire on June 25, 2019. The amount that has not been completed on the day before the shareholders' general meeting on June 18, 2019 will be cancelled on June 19, 2019.

2. Capital Surplus

	2019.12.31	2018.12.31
Share premium	$ 320,766	320,766
Issuance of common stock for cash and retained employee compensation	7,852	7,852
Subscription right to corporate bonds	11,935	12,039
Treasury stock transactions	3,642	3,642
Corporate bonds converted to premium of ordinary shares	216,605	215,112
	$ 560,800	**559,411**

In accordance with the Company Act, the capital surplus generated from the premium of stock issuance and donation may only be used to offset accumulated deficits. In addition, when the Company incurred no deficit, such capital surplus may be distributed as cash or stock dividends. Pursuant to the R.O.C. Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of the capital surplus capitalized per annum shall not exceed 10% of the paid-in capital.

3. Retained earnings

(1) Legal reserve

Pursuant to the Company Act, the appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. If the Company incurs no loss, the reserve may be distributed as cash or stock dividends for the portion in excess of 25% of the paid-in capital

(2) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the adoption date. The increase in retained earnings occurring before the adoption date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to NT$6,954,000. In accordance with Ruling No.1010012865 issued by the FSC, the net increase of NT$6,236,000 in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to NT$6,236,000 as of December 31, 2019.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

According to the Company's Articles of Incorporation, if the Company shows a year-end profit, it shall firstly make up any accumulated losses. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid-in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining profit after setting aside the above-mentioned amounts, together with the balance of the unappropriated retained earnings of the previous year as dividends to shareholders, to be proposed by the Board of Directors to be approved at the shareholders' meeting.

The Company operates in an industry with rapid changes, intensive capital and technologies, and the Company is in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder dividends, in cash or stock forms, shall not be lower than 10% of the distributable surplus of the year. The cash dividends shall be no lower than 10% of the total.

The following are the appropriation of earnings in the two decent years which were approved during the shareholders' meeting held on June 19, 2019 and June 26, 2018, respectively:

	2018		2017	
	Dividends per share	**Amount**	**Dividends per share**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash ($)	**$ 0.98510218**	**83,184**	**1.86842758**	**156,208**

The appropriation of retained earnings is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings in 2019 will be presented for resolution in the Board of Directors' meeting and to be approved in annual shareholders' meeting. The information will be available on the Market Observation Post System website.

4. Treasury stocks

The Company offers treasury stocks and buys back shares from the Taiwan Stock Exchange. The increase/decrease caused by the buyback are listed as follows:

Unit: 1,000 shares

	2019				
Reason for redemption	**Opening number of shares**	**Increase in the period**	**Transfer in the period**	**Write-off during the period**	**Closing number of shares**
Transfer to employees	928	330	(1,258)	-	-

	2018				
Reason for redemption	**Opening number of shares**	**Increase in the period**	**Transfer in the period**	**Write-off during the period**	**Closing number of shares**
Transfer to employees	2,500	928	(180)	(2,320)	928

In accordance with the provisions of Securities and Exchange Act, the repurchase rate of shares by the Company shall not exceed 10% of total number of shares, and the total amount of repurchased shares shall not exceed the amount of retained earnings plus share premium and realized capital reserve. The shares bought back by a company shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

The Company has transferred all treasury shares to employees in 2019. As the transfer price is higher than the fair market price, no remuneration cost has been recognized.

The remuneration cost recognized by the Company for the transfer of treasury shares to employees in 2018 was NT$3,642,000.

(XIX) Earnings per Share

		2019	2018
Basic earnings per share:			
Net income attributable to the Company	$	**139,071**	**182,343**
Weighted-average number of ordinary shares (in thousands)		**83,959**	**81,410**
Basic earnings per share (NT$)	$	**1.66**	**2.24**
Diluted earnings per share:			
Net income attributable to the Company	$	139,071	182,343
Interest expense for convertible corporate bonds		4,110	3,482
Net income attributable to share capital of common shares	$	**143,181**	**185,825**
Weighted-average number of ordinary shares (in thousands)		83,959	81,410
Effect of potential diluted ordinary shares:			
Effect of employee stock remuneration		549	791
Convertible bonds payable		4,310	2,653
Weighted-average number of ordinary shares (in thousands) (diluted)		**88,818**	**84,854**
Diluted earnings per share (NT$)	$	**1.61**	**2.19**

(XX) Revenue from contracts with customers

		2019	2018
Revenues from major regional markets:			
China	$	1,732,313	1,587,980
Taiwan		32,550	22,645
Other Countries		5,820	1,350
	$	**1,770,683**	**1,611,975**
Revenue from major products:			
Coiled conductive polymer solid capacitors	$	1,525,850	1,469,319
Chip-type conductive polymer solid state appliances		186,956	142,656
Other		57,877	-
	$	**1,770,683**	**1,611,975**

(XXI) Remuneration to employees and directors

The Company's Articles of Incorporation provide that if there is profit in the year, no lower than 8% of the profit shall be allocated for employee compensation, and no higher than 3% shall be allocated for remuneration to Directors and Supervisors. However, the profit shall first be used to offset against any deficit. Employees of controlled companies who meet specific requirements can also be included in the stock or cash remuneration distribution.

The remunerations to employees amounted to NT$16,437,000 and NT$20,597,000, as well as the remunerations to directors amounted to NT$4,834,000 and NT$6,058,000 for the years ended December 31, 2019 and 2018, respectively. These amounts were calculated using the Company’s net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company’s Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders’ meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors’ meeting.

The amounts allocated for remunerations to employees and directors and supervisors for 2018 were NT$20,597,000 and NT$6,058,000 respectively, which bear no difference from the board resolutions. Relevant information can be inquired from the Market Observation Post System (MOPS).

(XXII) Non-operating income and expenses

1. Other gains and losses, net

		2019	2018
Dividend income	$	8,873	2,220
Gain on disposal of property, plant, and equipment		3,976	3,574
Impairment loss on financial assets		(52)	(432)
Income from raw materials		-	10,568
Subsidy income		-	9,721
Other		433	490
Other gains and losses, net	**$**	**13,230**	**26,141**

2. Finance costs

		2019	2018
Interest expense–bonds payable	$	5,226	4,353
Interest expense–borrowings		11,649	9,073
Interest expense–lease obligations payable		230	-
	$	**17,105**	**13,426**

(XXIII) Financial instruments

1. Credit risk

(1) Maximum credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount of credit risk exposure.

(2) Credit risk concentration

The Company's customers are concentrated in industries such as consumer electronics, computer peripherals and wireless communication and so on. To reduce the credit risk of the accounts receivable, the Company continuously assesses the customers' financial position and regularly evaluates the possibility of the collection of accounts receivable, as well as making allowances for loss. 42% and 45% of accounts receivable balances for the years ended on December 31, 2019 and 2018 respectively, were composed of five customers. This causes credit risk concentration.

(3) Credit risk of accounts receivable and debt securities

Please refer to Note 6 (4) for credit risk exposure of accounts receivable.

Other financial assets measured at amortized cost, including accounts receivable from related parties and fixed deposit certificates, have not declared impairment loss.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4 (6) for details on how the consolidated company determines the level of credit risk).

2. Liquidity risk

The following table shows the contractual maturity analysis of financial liabilities (including the impact of interest payable):

	Carrying amount	Contract cash flow	Less than 6 months	6-12 months-	More than 12 months
December 31, 2019					
Non-derivative financial liabilities					
Short-term borrowings	$ 834,900	836,574	836,574	-	-
Accounts payable (including related parties)	377,544	377,544	377,544	-	-
Payables on equipment	2,955	2,955	2,093	862	-
Lease liabilities (including current and non-current)	19,852	20,274	3,192	3,117	13,965
	$ 1,235,251	**1,237,347**	**1,219,403**	**3,979**	**13,965**
December 31, 2018					
Non-derivative financial liabilities					
Short-term borrowings	$ 673,575	675,133	675,133	-	-
Accounts payable (including related parties)	415,005	415,005	415,005	-	-
Payables on equipment	12,480	12,480	11,619	861	-
	$ 1,101,060	**1,102,618**	**1,101,757**	**861**	**-**

3. Currency risk

(1) Exposure to exchange rate risk

The Company's financial assets and liabilities exposed to exchange rate risk were as follows:

	2019.12.31			2018.12.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 35,512	29.98	1,064,650	30,269	30.715	929,712
RMB	54,101	4.2975	232,499	77,215	4.4753	345,560
Financial liabilities						
Monetary items						
USD	17,830	29.98	534,543	19,605	30.715	602,168
RMB	9,021	4.2975	38,768	4,563	4.4753	20,421

(2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and other payables, and other accrued expenses that are denominated in foreign currency. A fluctuation in the TWD/USD and TWD/RMB exchange rates on December 31, 2019 and 2018, with other factors remaining constant, would have influenced the net profit for the years ended December 31, 2019 and 2018 as illustrated below:

	Range of the fluctuations	**2019**	**2018**
TWD exchange rate	1% depreciation against USD	$ 4,241	2,620
	1% appreciation against USD	$ (4,241)	(2,620)
	1% depreciation against RMB	$ 1,550	2,601
	1% appreciation against RMB	$ (1,550)	(2,601)

(3) Foreign exchange gains (losses) on monetary items

Due to the variety of the functional currencies of the Company's entities, the Company's foreign exchange losses (realized and unrealized) on monetary items are summarized as having amounted to NT$17,921,000 and NT$26,426,000 for the years ended December 31, 2019 and 2018, respectively.

4. Interest rate analysis

The Company's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables are constant) would have influenced the comprehensive income for the years ended December 31, 2019 and 2018, as illustrated below:

	Range of the fluctuations	**2019**	**2018**
Annual interest rate	Increase of 1%	$ (6,679)	(5,389)
	Decrease of 1%	$ 6,679	5,389

5. Other market price risk

If the equity securities price changes on the reporting date (adopting the same basis of analysis for both periods, with the assumption that other variable factors remain unchanged), the impact on the comprehensive gain or loss items are as follows:

	2019		**2018**	
Securities price on reporting date	**Other comprehensive gain or loss, net of tax**	**Profit for the year**	**Other comprehensive gain or loss, net of tax**	**Profit for the year**
Increase of 1%	$ 2,612	-	3,646	-
Decrease of 1%	(2,612)	-	(3,646)	-

6. Fair value of financial instruments

(1) Categories of financial instruments and fair value

Financial assets and liabilities measured at fair value through profit and loss and financial assets measured through other comprehensive income and loss is measured on a recurring basis. The consolidated company's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and lease liabilities, whose fair value are not required to be disclosed) were as follows:

	2019.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial asset measured at fair value through other comprehensive income - current					
Domestic listed securities	$ 143,891	143,891	-	-	143,891
Financial asset measured at fair value through other comprehensive income - non-current					
Domestic unlisted securities	$ 117,349	-	-	117,349	117,349
Convertible corporate bonds payable (including bonds due within 1 year)	$ 245,518	264,571	-	-	264,571

	2018.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Redemption rights payable for convertible corporate bonds-	$ 52	-	52	-	52
Financial asset measured at fair value through other comprehensive income - current					
Domestic listed securities	$ 243,564	243,564	-	-	243,564
Financial asset measured at fair value through other comprehensive income - non-current					
Domestic unlisted securities	$ 121,084	-	-	121,084	121,084
Convertible bonds payable	$ 242,273	255,823	-	-	255,823

(2) Valuation techniques for financial instruments not measured at fair value

The Company estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost based on the latest quoted price and agreed-upon price if these prices are available in active markets. If market values are not available, evaluation method would be adopted. The fair value of financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(3) Valuation techniques for financial instruments that are measured at fair value

The redemption rights of embedded derivatives are based on an appropriate option pricing model.

(4) Transfer between level 1 and level 2: None.

(5) Reconciliation of level 3 fair values:

	Financial asset measured at fair value through measured at fair value through other comprehensive income - equity investments without an active market
Balance as of January 1, 2019	$ 121,084
Disposals	(7,500)
Total gains and losses	
Recognized in other comprehensive income	3,765
Balance as of December 31, 2019	**$ 117,349**

	Financial asset measured at fair value through measured at fair value through other comprehensive income - equity investments without an active market-
Balance as of January 1, 2018	$ -
Effect of retrospective application	61,432
Purchase	56,150
Total gains and losses	
Recognized in other comprehensive profit and loss	3,502
Balance as of December 31, 2018	**$ 121,084**

Resulting from the recognized total gains and losses above, the gains from financial assets measured at fair value through other comprehensive income and loss as of December 31, 2019 and 2018 amounted to NT$8,349,000 of gains and NT$2,916,000 in losses.

(6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company classified the financial assets measured at fair value through other comprehensive income and loss – non-current as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs are independent, therefore, there is no correlation between them. Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset measured at fair value through other comprehensive income - non-current (equity investments without an active market)	Net asset valuation method	· Net asset value · Discount for lack of marketability (10% and 20% as of years ended on December 31, 2019 and 2018)	· N/A The higher the discount for lack of marketability, the lower the fair value.
Financial asset measured at fair value through other comprehensive income - non-current (equity investments without an active market)	Market approach	·Price-equity ratio (3.39 for 12/31/2019, 4.57 and 2.23 for 12/31/2018) · Discount for lack of marketability (as of years ended on December 31, 2019 and 2018)	·The higher the price-equity ratio, the higher the fair value. The higher the discount for lack of marketability, the lower the fair value.

(XXIV) Financial risk management

1. Overview

The Company is exposed to the following risks due to usage of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents information about the Company's exposure to each of the above risks, the consolidated company's objectives, policies, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these parent company only financial statements.

2. Risk management framework

The Board of Directors is solely responsible for overseeing the risk management of the Company. The Company's risk management policies are formulated to identify and analyze the risks faced by the consolidated company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes market conditions and the Company's activities.

The financial management department of the Company provides services to the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the consolidated company by analyzing the internal risk reports of the risks according to the level and scope of risks. These risks include credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other market price risks).

3. Credit risk

The main credit risk the Company faces is caused by the potential impact of the counterparty or other party of the financial asset transaction failing to meet its contractual obligations. The Company deposits its cash in creditworthy banks with low credit risk.

The main credit risk arises from financial products derived from cash and accounts receivable. The Company deposits its cash in various financial institutions. The Company controls exposure to the credit risk of each financial institution and believes that there is no concentration of significant credit risk for the cash.

The credit risk exposure of the Company is influenced by the conditions of each individual customer. The management also considers the statistical data on the basis of Company customers, including the default risk of industry and country, as these factors play a role in credit risk. To lower credit risk, management of the Company appoints a dedicated team to make decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of all accounts receivable on the balance sheet dates to ensure that impairment loss is recognized for unrecoverable accounts receivable.

The Company did not provide any endorsements or guarantees to parties other than the subsidiaries for years ending on December 31, 2019 and 2018.

4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The method of the Company adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. The Company supports business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash. The Company's management supervises bank financing conditions and ensures compliance with loan contracts.

5. Market risk

Market risk refers to the risk of the value of revenue or held financial instruments being influenced by market price changes, such as exchange rate and interest rate. The objective of market risk management lies in optimizing the investment return by controlling the market risk exposure within the bearable scope.

(1) Currency risk

The Company is exposed to currency risk arising out of sales, procurement, and loan transaction through functional currency valuation from its entities. The main valuation currencies for these types of transactions includes NTD, RMB and USD.

Loan interest is denominated in the currency of the loan. Generally speaking, the currency of the loan is the same as the currency of the cash flow generated by the operation of the consolidated company, which is mainly NTD and USD. This provides economic hedging without signing derivatives, so hedging accounting is not adopted.

For monetary assets and liabilities denominated in other foreign currencies, when a short-term imbalance occurs, the Company purchases or sells foreign currencies at the real-time exchange rate to ensure that net risk exposure remains at an acceptable level.

(2) Interest rate risk

The short-term borrowings of the Company are debts with floating interest rates, so changes in market interest rates will cause the effective interest rate of short-term borrowings to change accordingly, leading to fluctuations in future cash flows.

(XXV) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize owner value.

The Company operates in an industry with rapid changes, intensive capital and technologies, and the Company is in a life cycle is in a stage of stable growth. Therefore, it is necessary to retain surplus needed for operational growth and investment. For the moment, the residual dividend policy is adopted. The distribution of shareholder cash dividends shall not be lower than 10% of the distributable surplus of the year.

The Company's management periodically reassesses the capital structure, with the scope covering capital costs of various categories and related risks. The Company will distribute dividend, issue new stocks, repurchase shares, or repay old debts among other methods to balance its overall capital structure in accordance with the recommendations of its management.

The Company's debt-to-adjusted-capital ratio at the reporting date was as follows:

	2019.12.31	2018.12.31
Total liabilities	$ 1,573,716	1,467,834
Less: Cash and cash equivalents	(453,063)	(501,198)
Net liabilities	**$ 1,120,653**	**966,636**
Total equity	**$ 1,964,987**	**1,946,913**
Debt-to-capital ratio	**57.03%**	**49.65%**

(XXVI) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities of non-cash transactions for 2019 and 2018 were as follows:

1. For investment and financing activities of non-cash transaction where convertible corporate bonds are converted into ordinary shares, please refer to note 6 (13) for details.
2. For obtaining right-of-use assets by lease, please refer to note 6 (8).

3. Reconciliation of liabilities arising from financing activities were as follows:

				Non-cash changes		
	2019.1.1	**Effect of retrospective application**	**Cash flow**	**Exchange fluctuations**	**Other changes**	**2019.12.31**
Short-term borrowings	$ 673,575	-	165,000	-	(3,675)	834,900
First issuance of convertible corporate bonds	3,988	-	-	-	(1,893)	2,095
Second issuance of convertible corporate bonds	238,285	-	-	-	5,138	243,423
Lease liabilities	-	19,495	(5,727)	-	6,084	19,852
	$ 915,848	**19,495**	**159,273**	**-**	**5,654**	**1,100,270**

			Non-cash changes		
	2018.1.1	**Cash flow**	**Exchange fluctuations**	**Other changes**	**2018.12.31**
Short-term borrowings	$ 573,800	95,000	4,775	-	673,575
First issuance of convertible corporate bonds	183,640	-	-	(179,652)	3,988
Second issuance of convertible corporate bonds	-	245,804	-	(7,519)	238,285
	$ 757,440	**340,804**	**4,775**	**(187,171)**	**915,848**

VII. Related-party transactions

(I) Name and relationship with related parties

Name of related party	Relations with the Company
AsusTek Computer Inc.	Main management of the consolidated company (Note)
APAQ Investment Limited(APAQ Samoa)	Subsidiary of the Company
Apaq Technology (Wuxi) Co., Ltd. (Apaq Wuxi)	Subsidiary of the Company
Apaq Technology (Hubei) Co., Ltd. (Apaq Hubei)	Subsidiary of the Company

Note: Since it is no longer the single major shareholder of the Company, the Company has decided that it is no longer a related party on January 1, 2019, and the related transaction are no longer listed as related party transactions.

(II) Significant related-party transactions

1. Operating revenue

	2019	2018
AsusTek Computer Inc.	$ -	304,076
Apaq Wuxi	70,663	-
	$ 70,663	**304,076**

The sales price to related parties and non-related parties is determined by the specifications of the products being sold, and some products are given discounts of varying degrees depending on the quantity sold. Therefore, the pricing strategy is not significantly different. The credit conditions of the related parties are from 60 days to 90 days based on the monthly statement. The credit conditions of general customers are determined by the individual client's past transaction experience and the results of debt evaluation. The range is between 60 to 150 days.

As of December 31, 2019, the deferred unrealized gross profit due to sales was NT$1,946,000, which was included in the investment deduction using the equity method.

2. Purchases

	2019	2018
Apaq Wuxi	**$ 1,406,071**	**1,355,458**

The purchase price from related parties is based on the general market price, and the payment days for general suppliers are 30 to 90 days based on the monthly statement, and 90 days for the related parties.

3. Accounts receivable from related parties

Accounting subject	Category of related parties	2019.12.31	2018.12.31
Receivables from related parties	Apaq Wuxi	$ 32,283	-
Receivables from related parties	AsusTek Computer Inc.	-	67,336
		$ 32,283	**67,336**

4. Accounts payables to related parties

Accounting subject	Category of related parties	2019.12.31	2018.12.31
Accounts payable	Apaq Wuxi	$ 368,526	407,854

5. Endorsements and guarantees

The Company's endorsement of the consolidated comprehensive amount of guarantees for subsidiaries with years ended on December 31, 2019 and 2018 was NT$449,700,000 and NT$460,725,000, respectively.

6. Capital loans to related parties

Accounting subject	Category of related parties	2019.12.31	201812.31
Other Receivables - Related Parties	Apaq Wuxi	$ 122,293	188,063

In 2019 and 2018, interest income generated from capital loans to subsidiaries was NT$3,886,000 and NT$5,198,000, respectively.

7. Other transactions

(1) In 2018, the Company paid RMB 57,258,000 on behalf of subsidiaries for the purchase of raw materials, but did not recognize the revenue and costs from the sales. The generated benefit was RMB 14,700,000. As of December 31, 2018, the Company's deferred unrealized gross profit due to purchasing materials was NT$5,206,000, which was included in the equity method investment deduction.

(2) As of December 31, 2008 and December 31, 2007, the unrealized benefits arising from the sale and purchase of fixed assets were 11,715 thousand yuan and 15,688 thousand yuan respectively, and were included in the equity method Investment deduction.

(3) The price of the Company's sales of fixed assets to subsidiaries in the 2018 was RMB 200,000.

8. In summary, the Company's other receivables - related party balance due to the above-mentioned other transactions and collection of advances, etc., as of December 31, 2019 and 2018, was NT$595,000 and NT$46,34,000, respectively.

(III) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 21,164	24,447
Post-employment benefits	406	370
Share-based payments	-	3,724
	$ 21,570	28,541

VIII. Pledged Assets

The carrying values of the consolidated company's pledged assets are as follows:

Assets	Pledge	2019.12.31	2018.12.31
Other financial assets - non-current	Investment guarantee etc.	$ 3,971	3,778

IX. Significant contingent liabilities and unrecognized contractual commitments: None

X. Significant Casualty Loss: None.

XI. Material Subsequent Events: None

XII. Others

The following is the summary statement of current-period employee benefits and depreciation expenses by function:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	5,908	100,339	106,247	3,407	104,398	107,805
Labor and health insurance	329	6,386	6,715	211	5,927	6,138
Pension	152	3,018	3,170	102	2,854	2,956
Remuneration to Directors	-	3,516	3,516	-	4,460	4,460
Others	423	4,474	4,897	334	4,158	4,492
Depreciation	20,037	10,925	30,962	8,043	7,238	15,281
Amortization	-	4,274	4,274	-	5,036	5,036

Additional information on the number of employees and expenses for employee benefits in 2019 and 2018 is as follows:

	2019	2018
Number of employees	90	86
Number of directors who do not serve as employees	4	4
Average employee benefit expenses	$ 1,407	1,480
Average employee salary expenses	$ 1,235	1,315
Adjustment of average employee salary expenses	(6.03)%	

XIII. Supplementary disclosures

(I) Significant transactions

Relevant information about significant transactions to be disclosed by the Company in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers is as follows:

1. Capital loaned to others

No.	Lending company	Borrower	Transaction account	Related party	Maximum outstanding balance in current period	Ending balance	Actual expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Listed allowances for losses	Collateral		Limit on loans granted to a single party	Total limit amount of loans
													Name	Value		
0	The Company	Apaq Wuxi	Other accounts receivable - related party	Yes	474,000	449,700	119,920	2.896	Business transaction	1,406,071	-	-	-	-	785,995	785,995

Note 1: For a company or firm that has business dealings with the Company, the amount permitted to a single borrower is limited to the amount of business transactions between the parties.

Note 2: The Company's accumulated capital loans and total amount are limited to 40% of the amount of the Company's latest consolidated financial statements that have been verified (reviewed) by an accountant and attributable to the shareholders of the parent company.

2. Endorsement or guarantee for others

No.	Endorsement/guarantee provider	Subject of endorsements/guarantees		Limit on endorsements/guarantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum endorsement/guarantee amount allowable	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Relationship										
0	The Company	Apaq Wuxi	Subsidiary	1,964,987	474,000	449,700	89,940	-	22.89%	1,964,987	Y	N	Y

Note 1: The amount of endorsement/guarantee for a single entity is limited to the amount of the Company's most recent consolidated financial statements audited by the CPA attributable to the parent company's owner 's equity.

Note 2: The total amount of guarantee/endorsement is limited to the amount of the Company's most recent consolidated balance sheet that has been audited by the CPA and vested in the parent company's owner 's equity.

3. Holding of negotiable securities at the end of the period (excluding the part of invested affiliated companies, associates, and joint ventures equity):

Holding company	Type and name of securities	Relationship with the issuer of the securities	Financial statement item	End of Period				Remarks
				Number of shares	Carrying amount	%	Fair value	
The Company	CHAINTECH Technology Corporation	None	Financial asset measured at fair value through other comprehensive profit and loss - current-	4,710	143,891	4.64%	143,891	
The Company	Foxfortune Technology Ventures Limited	None	Financial asset measured at fair value through other comprehensive profit and loss - non-current-	1,000	42,551	5.80%	42,551	
The Company	Inpaq Korea	None	Financial asset measured at fair value through other comprehensive profit and loss - non-current-	18	701	10.73%	701	
The Company	Chia-Lin Venture Capital Co., Ltd.	None	Financial asset measured at fair value through other comprehensive profit and loss - non-current-	2,000	20,125	3.64%	20,125	
The Company	Kuan Kun Electronic Enterprise Co., Ltd.	None	Financial asset measured at fair value through other comprehensive profit and loss - non-current-	3,770	49,468	5.39%	49,468	
The Company	AICP Technology Corporation	None	Financial asset measured at fair value through other comprehensive profit and loss - non-current-	240	4,504	3.20%	4,504	

4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None
7. The amount of purchase and sales with related party to reach NT$ 100 million or over 20% of actually received capital:

Company Name	Name of the counterparty	Relationship	Transaction details				Situation and reason of why transaction conditions are different from general transactions		Notes/ accounts receivable or payable		Remarks
			Purchases/ sales	Amount	Ratio of total purchase (sales)	Loan period	Unit Price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable	
The Company	Apaq Wuxi	Subsidiary	Purchases	1,406,071	65 %	60 days	-	Note	368,526	98.00%	

Note 1: The payment period of general suppliers ranges from 30 days to 90 days on the monthly statement, and the payment period for Apaq Wuxi is 60 days.

8. The receivables from related party to reach NT$ 100 million or 20% of actually received capital amount:

Company name	Name of the counterparty	Relationship	Balance of accounts receivable from related parties	Turnover rate	Overdue accounts receivable from related parties		Amount of related party of account receivable collected after the period (Note 2)	Listed allowances for losses
					Amount	Action taken		
The Company	Apaq Wuxi	Subsidiary	155,171 (Note 1)	-	-	-	29,077	-

Note 1: Including other accounts receivable arising from sales and loan of funds.
Note 2: As of March 24, 2020.

9. Trading in derivative financial instruments: Please refer to Notes 6 (2).

(II) Information on reinvestments:

Information on reinvestments is as follows (excluding investees based in Mainland China):

Investor company	Name of investees	Location	Primary business	Initial investment amount		Shares held at the end of the period			Net profit (loss) of the investee	Investment income (loss) recognized by the Company	Remarks
				End of the period	End of last year	Shares	Ratio	Carrying amount			
The Company	APAQ Samoa	Samoa	Holding company	1,288,569	1,116,306	41,504	100.00%	1,639,854	45,376	117,313	Note

Note: The recognized profit (loss) from investment includes the adjustment of counter-current transactions between associates.

(III) Information on Investments in Mainland China:

1. Information on reinvestments in Mainland China

Investee Company	Main business activities	Paid-in capital (Note 4)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China in the beginning of the period	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period		Accumulated amount of remittance from Taiwan to Mainland China at the end of the period	Net profit (loss) of the investee	Ownership held by the Company (direct or indirect)	Investment gains (losses) recognized in the current period	Carrying amount of investment	Ending balance of accumulated inward remittance of earnings	Remarks
					Amount remitted (Note 4)	Amount remitted back to Taiwan							
Apaq Wuxi	Production and sales of electronic components, etc.	1,160,226 (USD 38,700,000)	Note 1	1,049,874 (USD 33,700,000)	153,849 (USD5,000,000)	-	1,203,723 (USD 38,700,000)	50,989	100.00%	50,989 Note 3	1,594,284	-	
Shenzhen Gather Electronics Science Co., Ltd.	Production and sales of electronic components, etc.	42,975 (RMB10,000,000)	Note 1	44,898 (RMB 9,800,000)	-	-	44,898 (RMB 9,800,000)	3,620	35.00%	1,227 Note 3	45,174	-	
Apaq Hubei	Production and sales of electronic components, etc.	14,990 (USD 500,000)	Note 2	-	15,590 (USD 500,000)	-	15,590 (USD 500,000)	2,480	100.00%	2,480 Note 3	17,661	-	

2. Limits on reinvestments in Mainland China

Accumulated investment remitted from Taiwan to Mainland China at the end of the period (Note 4)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 4)	Upper limit on investment authorized by MOEAIC
1,264,211 (USD 39,200,000 and RMB 9,800,000)	1,414,111 (USD 44,200,000 and RMB 9,800,000)	(Note 5)

Note 1: Indirect investment in Mainland companies through investments in a third area.
Note 2: Direct investment in China.
Note 3: Recognized according to the CPA audit report for the same period.
Note 4: The paid-in capital is converted to NTD at the exchange rate on the balance sheet date. The amount of investment remitted in this period is converted to NTD at previous exchange rates. The amount approved by the investment review committee of the Ministry of Economic Affairs was USD 44,200,000 and RMB 9,800,000 and converted to NTD at previous exchange rates. In addition, as of December 31, 2019, approved investments amounting to US$5,000,000 had not been actually remitted.
Note 5: The Company obtained the certificate for the scope of operation of the issued by the Industrial Development Bureau. According to the regulations of the Investment Review Committee, there is no upper limit for the amount of investment in the Mainland.

3. Substantial transactions:

Please refer to the "Significant transactions" section for direct or indirect transactions between the consolidated companies and investees in China for 2019 (which have been written off during the preparation of the consolidated financial statements).

XIV. Segment information

Please refer to the 2019 consolidated financial statements for details.

APAQ TECHNOLOGY CO., LTD.

Statements of Cash and Cash Equivalents

December 31, 2019

Unit: NT thousands/Foreign Currency thousands

Item	Summary	Amount
Cash	Petty cash	$ 50
Bank deposits	Demand deposits	11,385
Bank deposits	Foreign currency deposits (USD: 8,626,590.74; JPY: 283,549; HKD: 209,017.40; RMB: 12,378,186.84)	312,703
Cash equivalents	Time deposit (RMB 30,000,000, December 8, 2019 - January 27, 2020, interest rate 2.24% 2.9%)--	128,925
	Subtotal	453,013
	Total	**$ 453,063**

Note: The foreign currency exchange rates on the balance sheet date are as follows:

USD: 29.98

JPY: 0.276

HKD: 3.849

RMB: 4.2975

APAQ TECHNOLOGY CO., LTD.

Statements of Accounts Receivables

December 31, 2019 **Unit: NT$ thousands**

Customer Name	Amount
AsusTek Computer Inc.	$ 103,791
Micro-Star International Co., Ltd.	93,350
Pegatron Corporation	55,693
Gigabyte Technology	51,648
Tech-Front (Chongqing) Computer Co., Ltd.	41,175
K-Source Technology Ltd.	43,310
Other (individual amount not exceeding 5%)	263,673
Accounts receivable, net	**$ 652,640**

Note: 1. Accounts receivable are generated from business activities.

2. Accounts receivable from related parties are not included in the statements above. Please refer to Note 7 for details.

APAQ TECHNOLOGY CO., LTD.

Details of Inventories

December 31, 2019 **Unit: NT$ thousands**

Item	Amount: Cost	Amount: Net realizable value	Notes
Raw materials	$ 11,603		Basis for the net realizable value of inventories
Less: Allowance for doubtful accounts	(77)		Please refer to Note 4 (7) of the financial statements
for explanations in the	11,526	11,603	subtotal.
Work in process and semi-finished products	6,016		
Less: Allowance for doubtful accounts	(40)		
Subtotal	5,976	6,016	
Finished goods and commodity	117,002		
Less: Allowance for doubtful accounts	(3,480)		
Subtotal	113,522	150,643	
	$ 131,024	**168,262**	

Details of Other Current Assets

Item	Amount
Business tax credit	$ 6,074
Prepaid expenses	864
Prepayment	699
Other (individual amount not exceeding 5%)	9
Total	**$ 7,646**

APAQ TECHNOLOGY CO., LTD.

Statements of financial assets measured at fair value through other comprehensive income - current

December 31, 2019 **Unit: NT$ thousands**

Name of financial product	Summary	Shares (Thousand shares)	Total	Acquisition cost	Fair value Unit price (NT$)	Fair value Total	Pledge or guarantee
Chaintech Technology Corporation	Shares of publicly-listed company	$ 4,710	$ 143,891	159,248	$ 30.55	143,891	None

Statements of financial assets measured at fair value through other comprehensive income - non-current

Please refer to Note 6 (3) of the parent company only financial statements for "Statements of financial assets measured at fair value through other comprehensive income - non-current."

APAQ TECHNOLOGY CO., LTD.

Statement of Changes in Investments Accounted for Using Equity Method

January 1 to December 31, 2019

Unit: NT$ thousands; number of shares: thousand shares

Name of investees	Beginning balance		Increase		Investment Profit and loss	Cumulative translation Adjustment	Changes in unrealized transaction gains between associates	Ending balance			Market value or net equity	
	Number of shares	Amount	Number of shares	Amount				Number of shares	Amount	%	Unit price	Total price
APAQ Investments Limited	35,904	$ 1,418,173	5,600	172,263	117,313	(67,895)	-	41,504	1,639,854	100.00%	-	1,640,359
APAQ Technology (Hubei) Co., Ltd.	-	-	-	15,590	2,480	(409)	-	-	17,661	100.00%	-	17,661
Less: changes in unrealized transaction gains between associates		(20,894)		-	-	-	7,233		(13,661)			-
		$ 1,397,279		187,853	119,793	(68,304)	7,233		1,643,854			1,658,020

Note: Neither guarantees nor pledge has been provided for long-term equity investments.

APAQ TECHNOLOGY CO., LTD.

Details of Changes in Property, Plant and Equipment

January 1 to December 31, 2019

Please refer to Note 6 (7) of the parent company only financial report for information on "Property, Plant and Equipment."

Details of Accumulated Depreciation of Right-of-use Assets

December 31, 2019

Please refer to Note 6 (8) of the parent company only financial report for information on "Details of Accumulated Depreciation of Right-of-use Assets."

Details of Accumulated Depreciation of Property, Plant, and Equipment

Please refer to Note 6 (7) of the parent company only financial report for information on "Details of Accumulated Depreciation of Property, Plant, and Equipment."

Details of Changes in Intangible Assets

Please refer to Note 6 (11) of the parent company only financial report for information on "Details of Changes in Intangible Assets."

APAQ TECHNOLOGY CO., LTD.

Statements of Deferred Income Tax Assets

December 31, 2019

Please refer to Note 6 (17) of the parent company only financial report for information on "Statements of Deferred Income Tax Assets."

Other Financial Assets – Non-current-

Please refer to Note 6 (17) of the parent company only financial report for information on "Other Financial Assets – Non-current."

Details on Other Non-Current Assets

Please refer to Note 6 (10) of the parent company only financial report for information on "Details on Other Non-Current Assets."

APAQ TECHNOLOGY CO., LTD.

Details of Short-term Borrowings

December 31, 2019 **Unit: NT$ thousands**

Type of loans	Creditor	Ending balance	Contract period	Interest range	Unused limit	Collaterals or pledge
Credit loan	Mega International Commercial Bank	$ 159,960	108.07~109.06	1.1%~2.727%	20,040	None
Credit loan	Hua Nan Commercial Bank	80,000	108.10~109.02	1.15%	20,000	None
Credit loan	Chang Hwa Bank	29,980	108.10~109.01	2.92218%	120,020	None
Credit loan	KGI Bank	40,000	108.12~109.04	1.1%	10,100	None
Credit loan	Far Eastern International Bank	80,000	108.10~109.03	1.15%	20,000	None
Credit loan	Land Bank of Taiwan	-			100,000	None
Credit loan	Fubon Bank	164,960	108.10~109.05	1.1%~2.95%	14,920	None
Credit loan	Taiwan Shin Kong Commercial Bank Co., Ltd.	100,000	108.10~109.01	1.1355%	-	None
Credit loan	JihSun Bank	80,000	108.12~109.03	1.1%	-	None
Credit loan	E. SUN Commercial Bank	50,000	108.12~109.03	1.15%	50,000	None
Credit loan	CTBC Bank	50,000	108.11~109.01	1.1%	10,060	None
		$ 834,900			**$ 365,140**	

APAQ TECHNOLOGY CO., LTD.

Details of Accounts Payable

December 31, 2019 **Unit: NT$ thousands**

Customer Name	Amount	
Chi Ling Company Limited	$	4,446
UNI-ONWARD Corp.		1,726
Other (individual amount not exceeding 5%)		2,846
Total	$	9,018

Details on Other Current Liabilities

Item	Amount	
Income tax payable	$	20,224
Professional service fees payable		4,855
Other (individual amount not exceeding 5%)		15,814
Total	$	40,893

APAQ TECHNOLOGY CO., LTD.

Details on lease liabilities

January 1 to December 31, 2019

Please refer to Note 6 (14) of the parent company only financial report for information on “Lease Liabilities”.

Details on Operating Revenues

Unit: NT$ thousands

Item	Quantity	Amount
Coiled conductive polymer solid capacitors	1,398,768,000 units	$ 1,525,850
Chip-type conductive polymer solid state appliances	78,131,000 units	186,956
Other		57,877
Total		**$ 1,770,683**

APAQ TECHNOLOGY CO., LTD.

Details on Operating Costs

January 1 to December 31, 2019 **Unit: NT$ thousands**

Item	Amount
Finished goods at the beginning	$ 185,561
Add: finished foods purchased for the period	1,406,349
Others	2,423
Less: finished goods at the end	(104,376)
Transfer fees and others	(2,244)
Other	(5,948)
Cost of goods sold	1,481,765
Initial stock	13,804
Add: materials purchased for the period	22,244
Others	882
Less: Final Stock	(11,603)
Sales of raw materials	(89)
Transfer fees and others	(1,289)
Others	(6,298)
Direct materials consumed for the period	17,651
Direct labor cost	6,184
Manufacturing overhead	33,788
Manufacturing cost	57,623
Add: work in progress in the beginning	-
Add: others	6,297
Less: work in progress at the end	(6,016)
Transfer fees and others	(42)
Cost of finished goods	57,862
Add: Finished goods - beginning of period	-
Add: others	6,739
Less: Finished goods - end of period	(12,626)
Transfer fees and others	(52)
Production and marketing cost	51,923
Sales of raw materials	89
Sales of scraps	(5)
Allowance for inventories	1,500
Total operating costs	**$ 1,535,272**

APAQ TECHNOLOGY CO., LTD.

Details of Sales Expenses

January 1 to December 31, 2019 **Unit: NT$ thousands**

Item	Amount
Salary	$ 16,515
Import and export fees	8,862
Year-end bonuses	6,742
Miscellaneous	6,104
Entertainment	3,473
Other (individual amount not exceeding 5%)	9,452
Total	**$ 51,148**

Details of Management Expenses

Item	Amount
Salary	$ 35,960
Year-end bonuses	11,016
Service fee	5,569
Miscellaneous	3,445
Other (individual amount not exceeding 5%)	12,262
Total	**$ 68,252**

APAQ TECHNOLOGY CO., LTD.

Statements of Research and Development Expenses

January 1 to December 31, 2019 **Unit: NT$ thousands**

Item	Amount
Salary	$ 20,551
Service fee	3,004
Depreciation	7,122
Amortization	3,992
Year-end bonuses	9,001
Other (individual amount not exceeding 5%)	10,586
Total	$ 54,256

Statement of The Net Amount of Other Revenues and Gains and Expenses and Losses

Please refer to Note 6 (22) of the parent company only financial report for information on "Statement of The Net Amount of Other Revenues and Gains and Expenses and Losses."

VI. Impact of financial difficulties on the financial status of the Company in the Company and its affiliates in the most recent year as of the publication date of the annual report:

Chapter 7. Review, Analysis and Risk Management of Financial Status and Performance

I. Comparative Analysis Sheet of Financial Status (Consolidated)

Unit: NT$ thousand

Year / Item	2019		2018		Difference	
	Amount	%	Amount	%	Amount	%
Current assets	2,157,422	59	2,156,964	58	458	0.02
Property, plant and equipment	1,176,196	32	1,279,218	34	(103,022)	(8.05)
Intangible assets	37,259	1	41,630	1	(4,371)	(10.50)
Other assets	283,236	8	262,837	7	20,399	7.76
Total asset value	3,654,113	100	3,740,649	100	(86,536)	(2.31)
Current liabilities	1,431,964	39	1,550,718	41	(118,754)	(7.66)
Non-current liabilities	257,162	7	243,018	6	14,144	5.82
Total liabilities	1,689,126	46	1,793,736	47	(104,610)	(5.83)
Share capital	845,011	23	844,419	23	592	0.07
Capital surplus	560,800	15	559,411	15	1,389	0.25
Retained earnings	680,939	19	622,179	17	58,760	9.44
Other equity interest	(121,763)	(3)	(51,199)	(1)	(70,564)	137.82
Treasury stock	0	0	(27,897)	(1)	27,897	(100.00)
Total shareholder equity	1,964,987	100	1,946,913	53	18,074	0.93

I. Analysis of changes in percentage (for the change of more than 20% between the previous and current periods, the amount of change reached NT$ 10 million):
   1. Other equity: Mainly due to exchange differences by translation of the financial statements of foreign operations.
   2. Treasury stock: Mainly due to transfer of treasury stock in 2019.

II. These changes herein did not significantly impact the Company.

II. Financial Performance

(I) Comparative Analysis Sheet of Financial Performance In the Most Recent Two Years (Consolidated)

Unit: NT$thousand

Item \ Year	2019		2018		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Net operating revenue	2,002,841	100	2,042,820	100	(39,979)	(1.96)
Operating costs	1,540,718	77	1,525,524	75	15,194	1.00
Gross profit	462,123	23	517,296	25	(55,173)	(10.67)
Operating expenses	254,072	13	253,326	13	746	0.29
Operating profit	208,051	10	263,970	12	(55,919)	(21.18)
Non-operating income Net expenses	(15,849)	0	(10,146)	0	(5,703)	56.21
Net profit before tax	192,202	10	253,824	12	(61,622)	(24.28)
Income tax expenses	53,131	3	71,481	3	(18,350)	(25.67)
Net profit in this period	139,071	7	182,343	9	(43,272)	(23.73)

I. Analysis of changes in percentage (for the change of more than 20% between the previous and current periods, the amount of change reached NT$10 million):
Operating profit, net profit before tax, income tax expenses and net profit in this period: Mainly due to yield rate issue of Intel and delivery shortage of CPU & Chipset in the first half of 2019, which led to the decrease of PC shipment; also mainly due to higher price of raw material in 2018 when raw material was in short supply, which led to an decrease in gross profit and profit loss.

II. Expected sales volume and its basis, possible impact on the Company's future financial operations and response plans:
In response to the future development towards the market of 5G/IoT/AI/Power/Automotive/Industrial, APAQ has been continuously developing conductive polymer solid-state capacitors with the characteristics of low impedance, high ripple, miniaturization, long life, high-temperature resistance and high voltage for the future market.

III. Cash Flow

(I) Change in cash flow in the most recent year

Unit: NT$ thousand

Item \ Year	2019	2018	Increase (decrease)
Net cash flow from operating activities	393,299	136,322	256,977
Net cash flow from investing activities	(61,489)	(798,013)	736,524
Net cash flow from financing activities	(238,836)	756,198	(995,034)

Analysis of increase and decrease:

(1) Operating activities: Mainly due to more sales of goods on hand.

(2) Investing activities: Mainly due to less purchase of property, plant and equipment in 2019.

(3) Financing activities: Mainly due to less repayment for short-term loans in 2019 compared with that of 2018.

(II) Improvement plan for insufficient cash liquidity: None.

(III) Cash liquidity analysis for the following year

Unit: NT$thousand

Opening cash balance (A)	Annual net cash flow from operating activities (B)	Annual cash outflow (C)	Estimated cash balance (deficit) (A) + (B) - (C)	Remedial measures for cash inadequacy	
				Investment plan	Financing plan
700,953	298,568	-318,228	681,293	N/A	N/A

Cash liquidity analysis for the following year:
(1) Operating activities: Turnover and profit growth generates cash inflow.
(2) Investing activities: Purchase of capital asset generates net cash outflow in investing activities.
(3) Financing activities: Repayment and cash dividends distribution generate net cash outflow in financing activities.

IV. Impact of major capital expenditures on financial operations in the most recent year: None

V. Investment policy in the most recent year, the main reason for its profit or loss, the improvement plan and the investment plan for the next year.

(1) According to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies formulated by the competent authority, the Company has formulated Procedures for Acquisition or Disposal of Assets as the basis of our investment to master related business and financial status; in addition, the Company has formulated management measures for subsidiaries in internal control system to improve supervision and management of the company to be invested, for which it establishes relevant specifications on information disclosure, finance, business, goods on hand and financial management. Also, the Company carries out audit regularly and builds relevant business risk mechanism, ensuring to maximize our investment business.

(2) NT$117,313,000 return of investment was generated by recognition of the Company to the Subsidiary "APAQ Investments Limited" under the equity method at the end of 2019.

(3) NT$2,480,000 return of investment was generated by recognition of the Company to the Subsidiary "APAQ Technology (Hubei) Co., Ltd." under the equity method at the end of 2019.

(4) All the investments of the Company are long-term strategic investment. We master the operation and financial status of the business invested as well as carry out prudential assessment of the investment plan.

(5) The investment policy of the Company and the investment plan for the next year are focused on the business related to what the Company has operated.

VI. For risks, the following items shall be analyzed and assessed for the most recent year and up to the printing date of this annual report:

1. Impacts of fluctuation in interest rate, foreign exchange rates and inflation on the Company’s gain & loss and future countermeasures

(1) Impact of fluctuation in exchange on the Company's operating revenue and profitability and concrete measures adopted by the Company against exchange rate fluctuation

The rate of external sales accounting for total operating revenue of the Company in the most recent two years is respectively 98.34% and 98.89%, therefore, the exchange rate fluctuation has certain influence on operating revenue. As the valuation of transactions from the Company to its major suppliers is in USD, which nets out each other and brings the exchange rate fluctuation into the effect of hedging to some extent. Therefore, the overall exchange rate fluctuation has little influence on profitability. With active learning of hedging instrument of foreign currency, the Company will carry out hedging properly to reduce the influence of exchange risk on the Company's profitability. Exchange gain or loss in the most recent year are as follows:

Unit: NT$thousand

Year/Item	2019	2018
Exchange gain (loss)	(8,436)	(1,834)
Net operating revenue	2,002,841	2,042,820
Percentage of exchange gain (loss) accounting for turnover	-0.42%	-0.09%

Concrete measures adopted by the Company against exchange rate fluctuation are as follows:

(a) Opening a foreign currency deposit account and keeping in close touch with major correspondent banks to collect relevant information to exchange rate fluctuation at any time and to be in good control of exchange rate, then knowing the lowest time point to purchase foreign exchange and the best time point of exchange settlement.

(b) Reserving appropriate foreign currency deposit assets for hedging of natural exchange for payment and liability of corresponding foreign currency, actively learning hedging instrument of foreign currency and carrying out hedging properly to reduce the influence of exchange risk on the Company's profitability.

(2) The fluctuation in interest rate still has limited influence on the Company due to low market rate and low rate of interest income and expense accounting for net amount of turnover.

(3) Influence of Inflation in the most recent two years on the Company: None.

2. The policies, main reasons for gain or loss, and future countermeasures with respect to high-risk, high-leverage investments, lending funds to other parties, endorsements/guarantees and derivative product trades:

(1) Currently, the Company does not engage in any high-risks or highly leveraged investments.

(2) Endorsement or guarantee to others:

December 31, 2019 Unit: NT$thousand

No.	Endorsement/guarantee provider name	Subject of endorsements/guarantees		Limit on endorsements/guarantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum endorsement/guarantee amount	Guarantee provided by parent company to subsidiary	Guarantee provided by a subsidiary to parent company	Guarantee provided to subsidiaries in Mainland China
		Name	Relation										
0	The Company	APAQ Wuxi	Subsidiary	1,964,987	474,000	449,700	89,940	-	22.89%	1,964,987	Y	N	Y

Note 1. The amount of the endorsements/guarantees for a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period.

Note 2. The total amount of external endorsements/guarantees shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period.

(3) The endorsement/guarantee policies of the Company: The total amount of the Company's external endorsements/guarantees shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period. The amount of the endorsements/guarantees for a single enterprise shall be limited to the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period. Where the Company provides endorsements/guarantees due to business transactions, besides the restrictions specified above, the amount shall further not exceed the transaction amount between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.

(4) The policy of the Company's loaning to others: The total amount of the Company to lend funds to others shall be limited to 40% of the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period. For a company or firm that has business dealings with the Company, the amount permitted to a single borrower is limited to the amount of business transactions between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher. For a company or firm for short-term financing, the amount permitted to a single borrower shall be limited to 40% of the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period. The loaning funds between the foreign companies of which the company directly or indirectly holds 100% of the voting shares does not subject to the restriction of the preceding paragraph. The situations for lending funds to others are as follows:

December 31, 2019 Unit: NT$thousand

No.	Lending company	Borrower	Transaction account	Related party or not	Maximum outstanding balance in current period	Ending balance	Actual expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Listed allowances for losses	Collateral		Limit on loans granted to a single party	Total limit amount of loans
													Name	Value		
0	The Company	APAQ Wuxi	Other receivables—related parties	Yes	474,000	449,700	119,920	2.896%	Business transaction	1,406,071	-	-	-	-	785,995	785,995

Note 1. Note 1: For an entity that has business dealings with the Company, the amount permitted to a single borrower is limited to the amount of business transactions between the parties.

Note 2. Note 2: The total amount of the Company's accumulated external loans of funds shall be limited to 40% of the amount of equity attributable to the owners of the parent company in the balance sheet of the Company's consolidated financial report as audited (reviewed) by accountants in the most recent period.

(5) The policies, main reasons for gain or loss, and future countermeasures with respect to derivatives transaction: The Company made 2nd domestic unsecured convertible corporate bonds in 2019. The redemption right of convertible corporate bonds is NT$0 of non-derivatives instruments.

3. Future R&D plans and estimated expenses

In addition to keeping investing in coiled mainboard application market, the Company continues to develop high voltage and high-reliability capacitor for application in power supply and industrial mainboard, including adding the application of chip-type capacitor product line in laptop. The expenditure on R&D in 2020 is expected to be continuously increased to about 3.5% of turnover.

4. Impact of changes in major domestic/overseas policies and regulations on the Company’s finance and business, and the countermeasures thereof:

The Company operates in accordance with the relevant laws and regulations of the domestic and foreign countries where investments are made, and the relevant personnel also pay attention to the changes of the laws and regulations at any time for the management to stay informed. Therefore, important changes in domestic and foreign policies and laws can be updated immediately and responded to effectively by the Company.

5. Impact of changes in technologies and industries on the Company's finance and business, and the countermeasures thereof.

The Company continues to invest a large amount of resource to develop new technology and fully master industrial trend and change. By observing the trend of future technology at any time, the Company will also adjust its operating strategies. Until recently year and up to the printing date of this annual report, the Company doesn't have a significant effect on the Company's financial operations due to technological or industry changes.

6. Impact of changes in corporate image on corporate risk management, and the countermeasures thereof:

The Company operates business in a robust and steadfast spirit, getting a good corporate image. Until recently year and up to the printing date of this annual report, there is no corporate risk management due to changes in corporate image.

7. Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures: The Company has no merger and acquisitions in this period.

8. The Expected benefit, risk and countermeasures associated with facility expansion: The Company does not have a facility expansion plan.
9. Risks on concentrated sources of sales/purchases, and the countermeasures thereof:
   (1) Purchase: Raw materials of the Company are mainly aluminum foil, electrolytic paper, guide pin, colloidal particle and aluminum case, in which the cathode foil of aluminum foil is mainly supplied by Chinese suppliers with characteristics of centralized procurement from suppliers. In order to reduce risks of centralized procurement, the Company, in addition to building sound cooperation with domestic and foreign suppliers, has used other alternative materials separately on products with new specifications to ensure no worry about shortage of supply.
   (2) Sales: Clients of the Company are mainly PC system plants in the Asia-Pacific region. The parties have frequent trades, close cooperation and sound relations. In addition to continuously maintaining the strong customer base, the Company also actively develops its new customers to diversify the risks of sales concentration.
10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding more than 10% of the Company's shares has been transferred or has otherwise changed, and countermeasures: None.
11. Effect upon and risk to the Company associated with any change in power of management, and countermeasures: None.
12. Litigation and non-litigation events: None.
13. Other important risks and countermeasures: None.

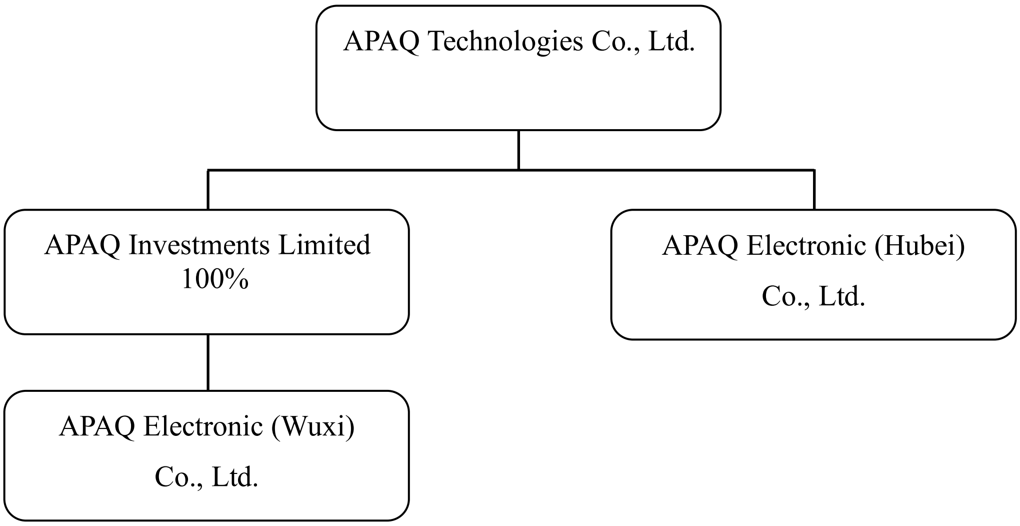
VII. Other matters: None

Chapter 8. Special Disclosure

I. Related Data of Affiliated Companies:

(I) Overview of affiliated companies

1. Organization chart of affiliated companies



2. Names and basic information of affiliated companies:

Unit: NT$thousand

Name	Date of Founding (Investment)	Address	Paid-up capital	Primary business
APAQ Investments Limited.	2006	Samoa	1,288,569	Holding
APAQ Electronic (Wuxi) Co., Ltd.	2007	Wuxi City, Jiangsu Province	1,160,226	Production and sales of electronic components
APAQ Electronic (Hubei) Co., Ltd.	2019	Shiyan City, Hubei Province	14,990	Production and sales of electronic components

3. Subordinate companies of which the Company has a direct or indirect control over the management of the personnel, financial or business operation according to Subparagraph 2, Paragraph 2, Article 369 of the Company Act: None.

4. Information on Directors, Supervisors, and General Managers of affiliated companies:

Name	Title	Name or representative	Number of shares (thousand shares)	%
APAQ Investments Limited.	Directors	APAQ Technologies Co., Ltd. Representative: Tun-Jen Cheng	41.504	100%
APAQ Electronic (Wuxi) Co., Ltd.	Directors	APAQ Investments Limited. Representatives: Tun-Jen Cheng, Ching-Feng Lin and Hsi-Tung Lin	Note	100%
	General Manager	Hsi-Tung Lin	Note	0%
APAQ Electronic (Hubei) Co., Ltd.	Directors	APAQ Technologies Co., Ltd. Representatives: Tun-Jen Cheng	Note	100%
	General Manager	Ching-Feng Lin	Note	0%

Note: The company is a limited company with no share issued.

5. The names of the Directors, Supervisors, and General Managers of each affiliated

company, and the number of shares they hold: None.

(II) Operation overview of affiliated companies

Unit: NT$thousand

Name	Capital	Total asset value	Total liabilities	Net value	Turnover	Operating profit (Loss)	Gain (loss) during this period
APAQ Investments Limited.	1,288,569	1,641,920	1,561	1,640,359	0	(6,627)	45,376
APAQ Electronic (Wuxi) Co., Ltd.	1,160,226	2,283,613	689,329	1,594,284	1,707,256	74,450	50,989
APAQ Electronic (Hubei) Co., Ltd.	14,990	32,831	15,170	17,661	12,162	3,543	2,480

(III) Combined financial statement of affiliated companies: Please refer to #Page 86 to Page 147# of this annual report.

(IV) Business scope of the Company and its subsidiaries

Business scope of the Company and its subsidiaries are mainly focused on research, development, production and sales of subminiature capacitor products with the characteristics of high-temperature resistance, long life and low impedance as well as R&D and production of high voltage capacitor, chip-type capacitor, solid capacitor of organic semiconductor and high storage capacitor to satisfy clients.

II. For the Most Recent Year Up to the Printing Date of This Annual Report, Any Private Placement of Securities Was Executed: None.

III. For the Most Recent Year Up to the Printing Date of This Annual Report, Holding or Disposal of the Company's Shares by Subsidiaries: None.

IV. Other Necessary Supplements: None.

V. Any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or price of the Company's securities:

For the most recent year up to the printing date of this annual report, any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or price of the Company's securities has been announced on Public Information Observation Website, which is http://mops.twse.com.tw/

Date	Item
Jan. 7, 2019	Announcement of expiration and performance of second stock repurchase of the Company
Mar. 21, 2019	Announcement of convening regular shareholders' meeting according to the Company's resolution of the Board of Directors
Mar. 21, 2019	Announcement of the Company's major resolutions of the Board of Directors
Apr. 3, 2019	The first domestic unsecured convertible bond of the Company APAQ I (Code: 64491) has recently reached the standard of announcement of notice of transaction information, so relevant information is disclosed for investors' understanding.
Apr. 29, 2019	Announcement of resignation of the supervisor of the Company
Apr. 29, 2019	Announcement of resignation of the director of the Company
May 8, 2019	Announcement of the Company's major resolutions of the Board of Directors
May 8, 2019	Announcement of the termination of the Company's capital increase through private offering passed on the regular shareholders' meeting in 2018

Date	Item
May 8, 2019	Announcement of issuance of new shares by capital increase passed on resolution of the Board of Directors on behalf of significant subsidiary APAQ Investments Limited
May 8, 2019	Announcement of capital increase passed on the resolution of the Board of Directors on behalf of a significant Subsidiary APAQ Electronic (Wuxi) Co., Ltd.
May 8, 2019	Announcement of convening regular shareholders' meeting according to the Company's resolution of the Board of Directors (Newly added)
May 8, 2019	Announcement of increasing investment in APAQ Electronic (Wuxi) Co., Ltd. in Mainland China according to the Company's resolution of the Board of Directors
May 8, 2019	Announcement of dividend distribution according to the Company's resolution of the Board of Directors
Jun. 6, 2019	Supplement to amount, period and interest rate of foreign currency of fixed deposit in Page 51 of Individual Financial Report in 2018
Jun. 6, 2019	Amendment of loaning amount reaching the standard of Subparagraph 1, Paragraph 1, Article 22 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies on August 7, 2018
Jun. 19, 2019	Announcement of the Company's major resolutions of shareholders' meeting
Jun. 19, 2019	Announcement of the Company's list of by-election Directors and Supervisors Elected on regular shareholders' meeting in 2019
Jun. 19, 2019	Announcement of the Company's lifting of non-competition clause of newly appointed Directors passed on regular shareholders' meeting in 2019
Jun. 19, 2019	Announcement of representatives assigned by corporate Directors of the Company
Jul. 19, 2019	Announcement of the Company's base date of dividend distribution
Jul. 30, 2019	Announcement of the Company's adjustment of cash dividend payout ratio
Aug. 1, 2019	Addition of the loaning amount to the standard of Subparagraph 1, Paragraph 1, Article 22 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
Aug. 1, 2019	Addition of the loaning amount reaching the standard of Subparagraphs 2 and 3, Paragraph 1, Article 22 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
Aug. 1, 2019	Announcement according to Subparagraphs 2, 3 and 4, Paragraph 1, Article 25 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies
Nov. 13, 2019	The Company was invited to attend the Road Show held by Yuanta Securities
Jan. 29, 2020	Announcement on behalf of Subsidiaries in Mainland China of work resumption Time of Spring Festival Delayed until February. 10
Feb. 11, 2020	Announcement of Mature Repayment of the Company's first domestic unsecured convertible bond
Mar. 24, 2020	Announcement of convening regular shareholders' meeting according to the Company's resolution of the Board of Directors
May 6, 2020	Announcement of convening regular shareholders' meeting according to the Company's resolution of the Board of Directors (Newly added)
May 6, 2020	Announcement of dividend distribution according to the Company's resolution of the Board of Directors
May 6, 2020	Announcement of the Company's appointment of the corporate governance principal passed by the Board of Directors
May 6, 2020	Announcement of increasing investment in APAQ Electronic (Hubei) Co., Ltd. in Mainland China according to the Company's resolution of the Board of Directors

APAQ Technologies Co., Ltd.

Person in Charge: Tun-Jen Cheng

General Manager: Hsi-Tung Lin

Printed on May 6, 2020