

**Tongtai Machine & Tool Co., Ltd.**

**Standalone Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Tongtai Machine & Tool Co., Ltd.

### **Opinion**

We have audited the accompanying standalone financial statements of Tongtai Machine & Tool Co., Ltd. (the "Company"), which comprise the standalone balance sheets as of December 31, 2019 and 2018, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the audit reports issued by other independent auditors (refer to Other Matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2019 and 2018, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China.

### **Basis for Opinion**

We conducted our audits of the standalone financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants Rule No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audits of the standalone financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

As disclosed in Note 3 to the standalone financial statements, the Company has applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in the Company's standalone financial statements for the year ended December 31, 2019 are as follows:

## **Revenue recognition**

Specific machine types have different degree of customization based on the customer requirements.

For machine and tool makers, sales revenues may be recognized before the completion of machine or tool installation based on the customization requirements. As a result, we identified revenue recognition as one of the key audit matters.

Refer to Note 4 (m) to the standalone financial statements for the related accounting policies and disclosures on revenue recognition.

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

1. We obtained an understanding of internal controls and procedures on the review and approval of reports on completion of installation, and acceptance by customers; we tested compliance with the procedures and operating effectiveness of the internal controls.
2. We performed test of details of recorded revenue against the supporting documents including contracts, reports on completion of installation, and acceptance receipts signed by customer.
3. We obtained details of sales returns and allowances in the current year to the report date and examined if there was any abnormal sales return and allowance for adjustment, and confirmed that recorded transactions were properly authorized.

## **Inventory valuation**

Inventory is material to the Company. As of December 31, 2019, inventory amounted to NT\$2,906,983 thousand, representing 26% of the Company's total assets. In addition, inventory valuation involves critical accounting estimates. Therefore, we identified the inventory valuation as one of the key audit matters. Refer to Notes 4 (e), 5 (b) and 10 to the standalone financial statements for the related accounting policies and disclosures on inventory valuation.

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

1. We participated in the physical count of inventory, and observed the physical condition of inventory and checked against the records for any identified obsolete and slow-moving inventory.
2. We obtained inventory aging report, tested the accuracy of inventory aging and evaluated compliance with the inventory accounting policies.
3. We obtained details of inventory valuation and confirmed that inventory items were stated at the lower of cost or net realizable value. We test-checked the cost and market value of inventory against the supporting documents.

## **Other Matter**

Certain investments in subsidiaries accounted for using the equity method were included in the standalone financial statements as of December 31, 2019 and 2018 and for the years then ended based on financial statements audited by other independent auditors. The total of such investments amounted to NT\$1,201,401 thousand and NT\$1,428,116 thousand, representing 11% and 12% of the Company's total assets as of December 31, 2019 and 2018, respectively, and the total share of profit of subsidiaries and associates amounted to NT\$15,504 thousand and NT\$109,415 thousand, representing 28% and 37% of the Company's total profit before income tax for the years ended December 31, 2019 and 2018, respectively.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

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

including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit of the Company. 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 standalone financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Shiang Liu and Jui-Hsuan Hsu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2020

Notice to Readers

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

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

# TONGTAI MACHINE & TOOL CO., LTD

## STANDALONE BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 525,213	5	\$ 283,033	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	7,192	-
Notes receivable, net (Notes 5 and 9)	82,150	1	179,568	2
Notes receivable - related parties (Notes 5,9 and 9)	1,455	-	1,051	-
Accounts receivable, net (Notes 4, 5 and 9)	1,560,358	14	1,952,904	16
Accounts receivable - related parties (Notes 4, 5, 9 and 31)	316,962	3	622,250	5
Other receivables	20,207	-	29,155	-
Other receivables - related parties (Note 31)	377,733	3	120,168	1
Inventories (Notes 4, 5 and 10)	2,906,983	26	3,807,098	31
Other financial assets - current (Note 12)	130,884	1	33,535	-
Other current assets	70,231	1	58,057	1
Total current assets	<u>5,992,176</u>	<u>54</u>	<u>7,094,011</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	180,264	2	171,071	1
Investments accounted for using the equity method (Notes 4 and 12)	2,340,299	21	2,598,521	21
Property, plant and equipment (Notes 4, 13 and 32)	1,496,339	13	1,725,605	14
Right-of-use assets (Notes 3, 4 and 14)	483,437	4	-	-
Investment properties (Notes 4, 15 and 32)	172,264	2	232,724	2
Computer software (Notes 4 and 16)	57,714	1	74,956	1
Deferred tax assets (Note 25)	269,127	2	213,411	2
Refundable deposits	10,213	-	11,117	-
Long-term notes and accounts receivable (Note 9)	500	-	2,411	-
Other financial assets - non-current (Notes 12 and 32)	79,068	1	143,471	1
Other non-current assets (Note 9)	28,344	-	32,912	-
Total non-current assets	<u>5,117,569</u>	<u>46</u>	<u>5,206,199</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 11,109,745</u>	<u>100</u>	<u>\$ 12,300,210</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 1,506,796	14	\$ 1,666,687	14
Short-term bills payable (Note 17)	-	-	200,000	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	8,257	-	520	-
Contract liabilities - current (Notes 4,23 and 31)	377,691	4	695,196	6
Notes payable (Note 18)	33,803	-	67,413	1
Notes payable - related parties (Notes 18 and 31)	38	-	6,000	-
Accounts payable (Note 18)	631,508	6	1,288,796	10
Accounts payable - related parties (Notes 18 and 31)	154,133	1	303,145	2
Other payables (Notes 19 and 31)	258,437	2	293,286	2
Current tax liabilities (Note 25)	13,732	-	9,861	-
Provisions - current (Notes 4 and 20)	26,251	-	14,439	-
Lease liabilities - current (Notes 3, 4 and 14)	14,717	-	-	-
Current portion of long-term bank borrowings (Notes 17 and 32)	489,500	5	466,389	4
Other current liabilities	26,089	-	39,369	-
Total current liabilities	<u>3,540,952</u>	<u>32</u>	<u>5,051,101</u>	<u>41</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term bank borrowings (Notes 17 and 32)	1,633,500	15	1,735,000	14
Deferred tax liabilities (Note 25)	61,301	-	61,301	-
Lease liabilities -noncurrent (Notes 3, 4 and 14)	473,330	4	-	-
Net defined benefit liabilities (Notes 4 and 21)	70,260	1	75,688	1
Credit balance for investments accounted for using the equity method (Notes 4 and 11)	45,838	-	-	-
Total non-current liabilities	<u>2,284,229</u>	<u>20</u>	<u>1,871,989</u>	<u>15</u>
Total liabilities	<u>5,825,181</u>	<u>52</u>	<u>6,923,090</u>	<u>56</u>
<b>EQUITY (Notes 22, 25 and 27)</b>				
Ordinary shares	2,548,265	23	2,548,265	21
Capital surplus	1,190,258	11	1,201,104	10
Retained earnings				
Legal reserve	725,249	7	694,026	5
Special reserve	133,443	1	89,749	1
Unappropriated earnings	775,619	7	887,670	7
Total retained earnings	<u>1,634,311</u>	<u>15</u>	<u>1,671,445</u>	<u>13</u>
Other equity	( 88,270 )	( 1 )	( 43,694 )	-
Total equity	<u>5,284,564</u>	<u>48</u>	<u>5,377,120</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 11,109,745</u>	<u>100</u>	<u>\$ 12,300,210</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# TONGTAI MACHINE & TOOL CO., LTD.

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 31)	\$ 5,422,528	100	\$ 6,476,271	100
OPERATING COSTS (Notes 10, 21, 24 and 31)	4,407,996	82	5,273,000	81
GROSS PROFIT	1,014,532	18	1,203,271	19
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	( 3,300 )	-	( 196 )	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	2,617	-	4,485	-
REALIZED GROSS PROFIT	1,013,849	18	1,207,560	19
OPERATING EXPENSES (Notes 9, 21, 24 and 31)				
Selling and marketing expenses	535,381	10	539,980	8
General and administrative expenses	222,691	4	287,327	5
Research and development expenses	135,123	2	286,718	4
Expected credit loss (reversal gain)	39,339	1	( 8,092 )	-
Total operating expenses	932,534	17	1,105,933	17
PROFIT FROM OPERATIONS	81,315	1	101,627	2
NON-OPERATING INCOME AND EXPENSES (Notes 11, 24 and 31)				
Other income	102,365	2	115,757	2
Other gains and losses	( 101,791 )	( 2 )	( 44,534 )	( 1 )
Finance costs	( 66,649 )	( 1 )	( 57,481 )	( 1 )
Share of profit of subsidiaries and associates	39,673	1	180,234	3
Total non-operating income and expenses	( 26,402 )	-	193,976	3
PROFIT BEFORE INCOME TAX	54,913	1	295,603	5
INCOME TAX BENEFIT (Notes 4 and 25)	( 4,034 )	-	( 16,622 )	-
NET PROFIT FOR THE YEAR	58,947	1	312,225	5
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	2,813	-	( 6,603 )	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	9,193	-	11,722	-

(Continued)

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	( 18,676 )	-	( 675 )	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 563 )	-	6,421	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 49,198 )	( 1 )	( 1,125 )	-
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	( 18,013 )	-	( 27,227 )	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>13,442</u>	<u>-</u>	<u>7,976</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	( <u>61,002</u> )	( <u>1</u> )	( <u>9,511</u> )	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>( \$ <u>2,055</u> )</b>	<b><u>-</u></b>	<b>\$ <u>302,714</u></b>	<b><u>5</u></b>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	\$ 0.23		\$ 1.23	
Diluted	0.23		1.22	

(Concluded)

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# TONGTAI MACHINE & TOOL CO., LTD.

## STANDALONE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	
BALANCE AT JANUARY 1, 2018	\$ 2,548,265	\$ 1,190,258	\$ 694,026	\$ 89,749	\$ 543,397	(\$ 63,767)	\$ 68,333	\$ -	\$ 4,566	\$ 5,070,261
Effect of retrospective application	-	-	-	-	32,905	-	(68,333)	28,727	(39,606)	(6,701)
BALANCE AT JANUARY 1, 2018	<u>2,548,265</u>	<u>1,190,258</u>	<u>694,026</u>	<u>89,749</u>	<u>576,302</u>	<u>(63,767)</u>	<u>-</u>	<u>28,727</u>	<u>(35,040)</u>	<u>5,063,560</u>
Net profit for the year ended December 31, 2018	-	-	-	-	312,225	-	-	-	-	312,225
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(857)	(20,376)	-	11,722	(8,654)	(9,511)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	<u>311,368</u>	<u>(20,376)</u>	<u>-</u>	<u>11,722</u>	<u>(8,654)</u>	<u>302,714</u>
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 27)	-	9,336	-	-	-	-	-	-	-	9,336
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	1,510	-	-	-	-	-	-	-	1,510
BALANCE AT DECEMBER 31, 2018	<u>2,548,265</u>	<u>1,201,104</u>	<u>694,026</u>	<u>89,749</u>	<u>887,670</u>	<u>(84,143)</u>	<u>-</u>	<u>40,449</u>	<u>(43,694)</u>	<u>5,377,120</u>
Appropriation of 2018 earnings (Note 22)	-	-	31,223	-	(31,223)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	43,694	(43,694)	-	-	-	-	-
Cash dividends	-	-	-	-	(76,448)	-	-	-	-	(76,448)
Net profit for the year ended December 31, 2019	-	-	31,223	43,694	(151,365)	-	-	-	-	(76,448)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(16,426)	(53,769)	-	9,193	(44,576)	(61,002)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	<u>42,521</u>	<u>(53,769)</u>	<u>-</u>	<u>9,193</u>	<u>(44,576)</u>	<u>(2,055)</u>
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 27)	-	(10,622)	-	-	(3,207)	-	-	-	-	(13,829)
Changes in percentage of ownership interests in subsidiaries (Note 27)	-	(224)	-	-	-	-	-	-	-	(224)
BALANCE AT DECEMBER 31, 2019	<u>\$ 2,548,265</u>	<u>\$ 1,190,258</u>	<u>\$ 725,249</u>	<u>\$ 133,443</u>	<u>\$ 775,619</u>	<u>(\$ 137,912)</u>	<u>\$ -</u>	<u>\$ 49,642</u>	<u>(\$ 88,270)</u>	<u>\$ 5,284,564</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2020)

# TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

## STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 54,913	\$ 295,603
Adjustments for:		
Depreciation expense	154,484	129,218
Amortization expense	36,641	33,789
Expected credit loss (reversal gain)	39,339	( 8,092 )
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	1,513	( 22,913 )
Finance costs	66,649	57,481
Interest income	( 20,060 )	( 14,989 )
Dividend income	( 8,068 )	( 1,393 )
Share of loss of associates	( 39,673 )	( 180,234 )
Gain (loss) on disposal of property, plant and equipment	( 270 )	365
Impairment loss recognized on nonfinancial assets	131,441	59,919
Unrealized (realized) gain	683	( 4,289 )
Recognition of provisions	97,163	58,311
Others	63	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	13,416	6,538
Notes receivable and long-term notes receivable	99,329	( 41,344 )
Notes receivable - related parties	( 404 )	5,179
Accounts receivable	353,207	151,442
Accounts receivable - related parties	305,288	( 28,880 )
Other receivables	8,740	14,565
Other receivables - related parties	13,288	7,894
Inventories	775,938	( 499,349 )
Other current assets	( 12,174 )	9,713
Contract liabilities	( 317,505 )	114,301
Notes payable	( 33,610 )	47,828
Notes payable - related parties	( 5,962 )	3,281
Accounts payable	( 657,288 )	( 251,372 )
Accounts payable - related parties	( 149,012 )	109,124
Other payables	( 24,748 )	20,976
Provisions	( 85,351 )	( 80,865 )
Advance received	-	( 5 )

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other current liabilities	(\$ 13,280 )	\$ 22,778
Net defined benefit liabilities	( <u>2,615</u> )	( <u>2,586</u> )
Cash generated from (used in) operations	782,075	11,994
Interest received	17,650	15,022
Dividend received	8,068	1,330
Interest paid	( 67,378 )	( 56,972 )
Income taxes paid	( <u>31,475</u> )	( <u>23,743</u> )
Net cash generated from (used in) operating activities	<u>708,940</u>	( <u>52,369</u> )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	-	( 10,000 )
Acquisition of property, plant and equipment	( 24,721 )	( 32,378 )
Proceeds from disposal of property, plant and equipment	277,054	15
Decrease in refundable deposits	904	5,623
Increase in other receivables - related parties	( 254,675 )	( 62,562 )
Acquisition of computer software	( 546 )	( 19,767 )
Acquisition of investment properties	-	( 880 )
Decrease (increase) in other financial assets	( 32,946 )	43,252
Increase in other non-current assets	( 14,285 )	( 28,245 )
Dividends received from subsidiaries	<u>123,156</u>	<u>26,112</u>
Net cash generated from (used in) financing activities	<u>73,941</u>	( <u>78,830</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	251,249	435,115
Repayments of short-term borrowings	( 411,140 )	( 470,920 )
Decrease in short-term bills payable	( 200,000 )	( 120,000 )
Proceeds from long-term bank borrowings	1,390,000	1,400,000
Repayments of long-term bank borrowings	( 1,468,389 )	( 898,889 )
Repayment of principle of lease liabilities	( 14,799 )	-
Dividends paid	( 76,448 )	-
Acquisition of percentage of ownership interests in subsidiaries	( <u>11,174</u> )	( <u>306,590</u> )
Net cash generated from (used in) financing activities	( <u>540,701</u> )	<u>38,716</u>
NET INCREASE (DECREASE) IN CASH	242,180	( 92,483 )
CASH AT THE BEGINNING OF THE YEAR	<u>283,033</u>	<u>375,516</u>
CASH AT THE END OF THE YEAR	<u>\$ 525,213</u>	<u>\$ 283,033</u>

The accompanying notes are an integral part of the standalone financial statements. (Concluded)  
(With Deloitte & Touche auditors' report dated March 25, 2020)

## **TONGTAI MACHINE & TOOL CO., LTD.**

### **NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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#### **1. GENERAL INFORMATION**

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The standalone financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The standalone financial statements were approved by the Company’s board of directors and authorized for issue on March 16, 2020.

#### **3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies:

##### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

##### 1) Definition of a lease

The company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the standalone balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the standalone statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the standalone statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the standalone statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in assets and liabilities on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.35%. The difference between the lease liabilities recognized and future minimum lease payments of non-cancellable operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 355,007
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>6,464</u>
Undiscounted amounts on January 1, 2019	<u>\$ 348,543</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 301,987
Add: Adjustments as a result of a different treatment of extension options	<u>408,046</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 710,033</u>

3) The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

4) The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>Carrying Amount as of January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Right-of-use assets	\$-	<u>\$ 710,033</u>	<u>\$ 710,033</u>
Lease liabilities - noncurrent	\$ -	\$ 15,431	\$ 15,431
Lease liabilities - current	<u>-</u>	<u>694,602</u>	<u>694,602</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 710,033</u>	<u>\$ 710,033</u>

b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company and its subsidiaries shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of Compliance

The standalone financial statements has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of Preparation

The standalone financial statements has been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit assets and liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its standalone financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same with the amounts attributable to the owner of the Company in its standalone financial statements, adjustments arising from the differences in accounting treatment between standalone basis and consolidated basis were made to investments accounted for using

equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the standalone financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets are realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are stated at the historical translated amount.

For the purpose of presenting standalone financial statements, the functional currencies of the entities associated with the Company (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the balance sheet date; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities recognized on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of balance sheet date. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consisting of raw materials, supplies, work-in-progress and finished goods are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at the moving-average cost, and the work-in-progress and finished goods are recorded at cost by the specific identification method.

f. Investments accounted for equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Any difference between the carrying amount of the investment and the fair value of consideration paid or received is directly recognized in equity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive

income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the associate. The Company should record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to non-subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company will discontinue recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Investment in associate is tested for impairment by treating the entire carrying amount of the investment (including goodwill) as a single asset and then compare that carrying amount with the estimated recoverable amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

Gains and losses resulting from upstream, downstream and sidestream transactions between and among the Company and its associates are recognized in the standalone financial statements only to the extent of interests in the associate of entities that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Computer Software

Computer software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

j. Impairment of tangible and computer software

At each balance sheet date, the Company reviews the carrying amounts of tangible and computer software to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company will estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

k. Financial instruments

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

Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

#### i Financial asset at FVTPL

Financial asset classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

#### ii Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets at amortized cost, including cash, notes and accounts receivable at amortized cost, other receivables, other financial assets, refundable deposits and long-term notes and accounts receivable, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;

- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

## 3) Financial liabilities

### a) Subsequent measurement

Except the following situations, all financial liabilities are carried at amortized cost using the effective interest method:

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability.

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts and swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

## 1. Provisions

Provisions are measured at the best estimate of the cash flows required to settle the present obligation at the end of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the Company's best estimate of the expenditure required to settle the obligations.

m. Revenue recognition

The Company identifies contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of machine. Revenue from domestic sales is recognized when the installation of machine or tool is completed. Revenue from export sales is recognized according to the trade conditions or the completion date of machine installation. The customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue from maintenance and rebuilding are recognized when services are provided.

n. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily

determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

The Company is both lessors and lessees of operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Contingent rentals are recognized as income or expenses in the year in which the contingency is removed.

### o. Employee benefits

#### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

#### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the year in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the year in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

### p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that period only, or in the year of the change and future periods, if the change affects both.

### Key sources of estimation uncertainty

#### a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, refer to Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

#### b. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

## 6. CASH

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 601	\$ 817
Checking accounts and demand deposits	<u>524,612</u>	<u>282,216</u>
	<u>\$ 525,213</u>	<u>\$ 283,033</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Cross-currency swap contracts	\$ -	\$ 5,476
Swap contracts	-	<u>1,716</u>
	<u>\$ -</u>	<u>\$ 7,192</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts	\$ 6,357	\$ 499
Swap contracts	<u>1,900</u>	<u>21</u>
	<u>\$ 8,257</u>	<u>\$ 520</u>

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

Notional Amounts (In Thousands)	Maturity Date	Range of interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2019</u>			
USD6,000/NTD185,200	2020.02-2020.05	0.8-0.9	3M Libor+0.5
USD2,000/NTD61,680	2020.01	0.78	1M Libor+0.93
<u>December 31, 2018</u>			
USD4,000/NTD123,580	2019.05	0.58	2.9
USD4,000/NTD118,040	2019.01-2019.03	0.65	USD Libor 1M+ 0.75
CNY15,000/NTD66,875	2019.02	-	3.95-4.02

- b. At the balance sheet date, outstanding swap contracts not accounted for by hedge accounting were as follows:

c.

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2019</u>			
Swap	CNY/NTD	2020.02-2020.06	CNY39,000/NTD168,123
<u>December 31, 2018</u>			
Swap	CNY/NTD	2019.01-2019.08	CNY38,800/NTD170,176

The Company entered into cross-currency swap contracts and swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the years ended December 31, 2019 and 2018, the Company recognized gain (loss) on cross-currency swap contracts and swap contracts not accounted for by hedge accounting in the amounts of NT\$(1,513) thousand and NT\$22,913 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	2019	2018
<u>Investment in equity instruments</u>		
Domestic investments		
Listed shares	\$ 121,572	\$ 115,066
Unlisted shares	<u>58,692</u>	<u>56,005</u>
	<u>\$ 180,264</u>	<u>\$ 171,071</u>

**9. NOTES AND ACCOUNTS RECEIVABLE, LONG-TERM NOTES RECEIVABLE AND OVERDUE RECEIVABLE, NET**

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Notes receivable (operating)		
At amortized cost		
Gross carrying amount	\$ 92,001	\$ 190,360
Less: Unrealized interest revenue	<u>9,851</u>	<u>10,792</u>
	<u>\$ 82,150</u>	<u>\$ 179,568</u>
Notes receivable- related parties (operating)		
Gross carrying amount at amortized cost	<u>\$ 1,455</u>	<u>\$ 1,051</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$ 1,690,912	\$ 2,049,165
Less: Allowance for impairment loss	<u>130,554</u>	<u>96,261</u>
	<u>\$ 1,560,358</u>	<u>\$ 1,952,904</u>
Accounts receivable - related parties		
Gross carrying amount at amortized cost	<u>\$ 316,962</u>	<u>\$ 622,250</u>
Long-term notes and accounts receivable (operating)		
Gross carrying amount at amortized cost	<u>\$ 500</u>	<u>\$ 2,411</u>
Overdue receivable (included in other noncurrent assets)		
Gross carrying amount at amortized cost	\$ 81,442	\$ 76,867
Less : Allowance for impairment loss	<u>81,442</u>	<u>76,867</u>
	<u>\$ -</u>	<u>\$ -</u>

Accounts receivable

The credit period of the Company's receivables depends on customer classification and product category. The Company makes prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company's provision matrix.

### December 31, 2019

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 545 Days</u>	<u>546 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$1,490,747	\$ 187,859	\$ 64,438	\$ 41,351	\$ 43,568	\$ 89,286	\$ 21,311	\$ 26,465	\$ 208,396	\$2,173,421
Loss allowance (Lifetime ECL)	( 11,601)	( 28,179)	( 9,666)	( 6,203)	( 6,535)	( 31,250)	( 10,655)	( 26,465)	( 81,442)	( 211,996)
Amortized cost	<u>\$1,479,146</u>	<u>\$ 159,680</u>	<u>\$ 54,772</u>	<u>\$ 35,148</u>	<u>\$ 37,033</u>	<u>\$ 58,036</u>	<u>\$ 10,656</u>	<u>\$ -</u>	<u>\$ 126,954</u>	<u>\$1,961,425</u>

### December 31, 2018

	<u>Not Past Due</u>	<u>1 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 365 Days</u>	<u>366 to 545 Days</u>	<u>546 to 720 Days</u>	<u>Over 721 Days</u>	<u>Individual Identification</u>	<u>Total</u>
Gross carrying amount	\$2,495,135	\$ 169,122	\$ 51,810	\$ 38,508	\$ 20,127	\$ 42,018	\$ 30,668	\$ 7,057	\$ 76,867	\$2,931,312
Loss allowance (Lifetime ECL)	( 17,229)	( 25,368)	( 7,772)	( 5,776)	( 3,019)	( 14,706)	( 15,334)	( 7,057)	( 76,867)	( 173,128)
Amortized cost	<u>\$2,477,906</u>	<u>\$ 143,754</u>	<u>\$ 44,038</u>	<u>\$ 32,732</u>	<u>\$ 17,108</u>	<u>\$ 27,312</u>	<u>\$ 15,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,758,184</u>

The movements of the loss allowance of notes and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 173,128	\$ 181,220
Recognition (reversal)	39,339	( 8,092)
Written off	( 471)	-
Balance at December 31	<u>\$ 211,996</u>	<u>\$ 173,128</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Raw materials	\$ 940,413	\$ 1,147,565
Supplies	156,758	155,619
Work-in-progress	1,148,420	1,661,355
Finished goods	<u>661,392</u>	<u>842,559</u>
	<u>\$ 2,906,983</u>	<u>\$ 3,807,098</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT\$4,099,265 thousand and NT\$4,767,217 thousand, respectively, which included write-downs of inventory at NT\$131,441 thousand and NT\$59,919 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in subsidiaries	\$ 2,275,964	\$ 2,578,117
Investments in associates	<u>18,497</u>	<u>20,404</u>
	2,294,461	2,598,521
Add: Credit balance for investments accounted for using the equity method	<u>45,838</u>	<u>-</u>
	<u>\$ 2,340,299</u>	<u>\$ 2,598,521</u>

### a. Investments in subsidiaries - unlisted companies

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>% of Owner - ship</b>	<b>Amount</b>	<b>% of Owner - ship</b>
Union Top Industrial (Samoa) Limited ( Union Top )	\$ 959,441	100	\$ 1,005,268	100
Honor Seiki Co., Ltd. (Honor Seiki)	519,868	51	636,646	51
Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines ( PCI )	384,694	100	378,088	100
Quick-Tech Machinery Co., Ltd. (Quick-Tech)	85,469	52	111,552	52
Chin-Jig Technology Co., Ltd. (Chin-Jig)	59,355	70	81,925	70
Asia Pacific Elite Corp. (APEC)	79,313	99	70,600	99
Tongfong Auto Tech Co., Ltd. (Tongfong)	58,376	99	68,560	99
Tongan GmbH ( Tongan )	( 36,873 )	100	64,077	100
Tongtai Machine Tool (MFG) Sdn. Bhd. ( TMM )	40,603	100	42,003	100
Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	27,525	60	31,761	63
Tong Tai Machinery Co., Ltd. ( TTM )	32,423	100	24,905	100
Tongtai Machine & Tool Japan Co., Ltd. ( TTJP )	25,107	100	20,414	100
Tongtai Seiki Vietnam Co., Ltd. ( TTVN )	19,293	100	17,737	100
Tong-Tai Seiki USA, Inc. ( TSU )	13,709	100	14,296	100
Tongtai Machine Tool ( SEA) Sdn. Bhd. ( TTS )	8,113	52	5,999	52
Tongtai Europe B.V. ( TTE )	( 8,965 )	100	4,286	100
Tongtai Mexico, S.A.DE C.V. ( TTGMX )	8,513	100	-	-
	<u>\$ 2,275,964</u>		<u>\$ 2,578,117</u>	

In September 2019, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage of Tong-Yeh, please refer to Note 27 for further information.

TTGMX was established in February 2019.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates that are not individually material		
Cyber Laser Taiwan Co., Ltd.	\$ 9,397	\$ 10,971
Printin3d DigiTech Co., Ltd.	<u>9,100</u>	<u>9,433</u>
	<u>\$ 18,497</u>	<u>\$ 20,404</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Company's share of		
Net loss for the year	(\$ 1,907)	(\$ 2,622)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(\$ 1,907)</u>	<u>(\$ 2,622)</u>

Related information of investees abovementioned please see Table 6 attached.

The investments accounted for using the equity method and the share of loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements which have been audited for the same years.

## 12. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Pledged time deposits	\$ 130,000	\$ -
Restricted deposits	<u>884</u>	<u>33,535</u>
	<u>\$ 130,884</u>	<u>\$ 33,535</u>
<u>Non-current</u>		
Pledged deposits and time deposits	<u>\$ 79,068</u>	<u>\$ 143,471</u>

Refer to Note 32 for information relating to other financial assets pledged as collateral.

### 13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<b>Cost</b>								
Balance at January 1, 2019	\$ 306,930	\$ 1,744,979	\$ 373,959	\$ 109,627	\$ 32,177	\$ 146,962	\$ 3,876	\$ 2,718,510
Additions	-	5,922	1,552	594	425	7,092	( 236)	15,349
Disposals	( 139,239)	( 47,251)	( 308)	-	-	( 6,850)	-	( 193,648)
Reclassifications	42,538	21,665	( 6,514)	-	-	-	( 1,906)	55,783
Balance at December 31, 2019	<u>210,229</u>	<u>1,725,315</u>	<u>368,689</u>	<u>110,221</u>	<u>32,602</u>	<u>147,204</u>	<u>1,734</u>	<u>2,595,994</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2019	-	660,518	156,870	74,781	17,737	82,999	-	992,905
Depreciation	-	72,291	28,575	6,226	4,221	15,500	-	126,813
Disposals	-	( 24,513)	( 308)	-	-	( 6,154)	-	( 30,975)
Reclassifications	-	11,129	( 217)	-	-	-	-	10,912
Balance at December 31, 2019	-	<u>719,425</u>	<u>184,920</u>	<u>81,007</u>	<u>21,958</u>	<u>92,345</u>	-	<u>1,099,655</u>
Carrying amount at December 31, 2019	<u>\$ 210,229</u>	<u>\$ 1,005,890</u>	<u>\$ 183,769</u>	<u>\$ 29,214</u>	<u>\$ 10,644</u>	<u>\$ 54,859</u>	<u>\$ 1,734</u>	<u>\$ 1,496,339</u>

For the year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<b>Cost</b>								
Balance at January 1, 2018	\$ 306,930	\$ 1,735,675	\$ 219,055	\$ 110,092	\$ 22,492	\$ 115,571	\$ 71,712	\$ 2,581,527
Additions	-	9,304	-	1,244	9,685	31,391	( 29,012)	22,612
Disposals	-	-	( 410)	( 1,709)	-	-	-	( 2,119)
Reclassifications	-	-	155,314	-	-	-	( 38,824)	116,490
Balance at December 31, 2018	<u>306,930</u>	<u>1,744,979</u>	<u>373,959</u>	<u>109,627</u>	<u>32,177</u>	<u>146,962</u>	<u>3,876</u>	<u>2,718,510</u>
<b>Accumulated depreciation</b>								
Balance at January 1, 2018	-	583,346	140,648	67,984	13,975	67,477	-	873,430
Depreciation	-	77,172	16,251	8,507	3,762	15,522	-	121,214
Disposals	-	-	( 29)	( 1,710)	-	-	-	( 1,739)
Balance at December 31, 2018	-	<u>660,518</u>	<u>156,870</u>	<u>74,781</u>	<u>17,737</u>	<u>82,999</u>	-	<u>992,905</u>
Carrying amount at December 31, 2018	<u>\$ 306,930</u>	<u>\$ 1,084,461</u>	<u>\$ 217,089</u>	<u>\$ 34,846</u>	<u>\$ 14,440</u>	<u>\$ 63,963</u>	<u>\$ 3,876</u>	<u>\$ 1,725,605</u>

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

#### Buildings

Main structure	35-60 years
Mechanical and electrical facilities	5-35 years
Engineering system	2-10 years
Air conditioning system	2-35 years
Decoration	2-35 years

#### Machinery and equipment

Machinery and equipment	2-10 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-10 years

Property, plant and equipment pledged by the Company as collateral for bank borrowings are described in Note 32.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<u>December 31, 2019</u>
Carrying amounts	
Land	\$ 476,802
Buildings	551
Transportation equipment	<u>6,084</u>
	<u>\$ 483,437</u>
	<b>For the Year Ended</b>
	<b>December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 4,629</u>
Depreciation charge for right-of-use assets	
Land	\$ 16,957
Buildings	512
Transportation equipment	<u>2,816</u>
	<u>\$ 20,285</u>

### b. Lease liabilities - 2019

	<u>December 31, 2019</u>
Carrying amounts	
Current	<u>\$ 14,717</u>
Non-current	<u>\$ 473,330</u>
Range of discount rate for lease liabilities (%) was as follows:	
	<b>December 31, 2019</b>
Land	2.16~2.48
Buildings	1.42
Transportation equipment	1.05~1.42

### c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

### d. Other lease information 2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 8,402</u>
Total cash outflow for leases	<u>\$ (36,224)</u>

The Company leases certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 2018

The Company's future minimum lease payments of non-cancellable material operating lease commitments are as follows:

	<u>December 31, 2018</u>
Not later than 1 year	\$ 29,450
Later than 1 year and not later than 5 years	117,800
Later than 5 years	<u>192,129</u>
	<u>\$ 339,379</u>

## 15. INVESTMENT PROPERTIES

### For the year ended December 31, 2019

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 141,293	\$ 149,445	\$ 290,738
Reclassifications	( 42,538 )	( 21,665 )	( 64,203 )
Balance at December 31, 2019	<u>98,755</u>	<u>127,780</u>	<u>226,535</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	58,014	58,014
Depreciation	-	7,386	7,386
Reclassifications	-	( 11,129 )	( 11,129 )
Balance at December 31, 2019	<u>-</u>	<u>54,271</u>	<u>54,271</u>
Carrying amount at December 31, 2019	<u>\$ 98,755</u>	<u>\$ 73,509</u>	<u>\$ 172,264</u>

### For the year ended December 31, 2018

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 141,293	\$ 148,565	\$ 289,858
Additions	-	880	880
Balance at December 31, 2018	<u>141,293</u>	<u>149,445</u>	<u>290,738</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2018	-	50,010	50,010
Depreciation	-	8,004	8,004
Balance at December 31, 2018	<u>-</u>	<u>58,014</u>	<u>58,014</u>
Carrying amount at December 31, 2018	<u>\$ 141,293</u>	<u>\$ 91,431</u>	<u>\$ 232,724</u>

The abovementioned investment properties were leased out for 2 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

	<u>December 31, 2019</u>
Year 1	\$ 5,045
Year 2	5,160
Year 3	\$ 5,280
Year 4	5,400
Year 5	5,520
Year 6 onwards	<u>55,080</u>
	<u>\$ 81,485</u>

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	
Main structure	10-60 years
Engineering system	10 years

The investment properties of the Company are located at Hunei District in Kaohsiung City. The fair value of the investment properties was assessed by the management of the Company based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value for the years ended December 31, 2019 and 2018 are NT\$292,143 thousand and NT\$292,143 thousand, respectively.

All of the Company's investment properties are held under freehold interests. Investment properties pledged by the Company as collateral for bank borrowings are described in Note 32.

## 16. INTANGIBLE ASSETS

The computer software is amortized on a straight-line basis over 3 to 10 years, the movements were as follows,

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Carrying amount</u>
Balance at January 1, 2018	\$ 76,789	(\$ 44,105)	\$ 32,684
Additions	19,767	-	19,767
Reclassification	42,163	-	42,163
Amortization expenses	<u>-</u>	<u>( 19,658)</u>	<u>( 19,658)</u>
Balance at December 31, 2018	138,719	( 63,763)	74,956
Additions	546	-	546
Amortization expenses	<u>-</u>	<u>( 17,788)</u>	<u>( 17,788)</u>
Balance at December 31, 2019	<u>\$ 139,265</u>	<u>( \$ 81,551)</u>	<u>\$ 57,714</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bank loans	\$ 1,499,840	\$ 1,665,720
Letters of credit	<u>6,956</u>	<u>967</u>
	<u>\$ 1,506,796</u>	<u>\$ 1,666,687</u>
Annual interest rate (%)	0.95-2.67	0.99-3.32

### b. Short-term bills payable-December 31, 2018

Secured Institute	Par Value	Discount Amount	Carrying Amount	Annual interest rate (%)
China Bills Finance Corporation	\$ 100,000	\$ -	\$ 100,000	0.63
Taching Bill Finance Ltd.	50,000	-	50,000	0.76
International Bills Finance Corporation	<u>50,000</u>	-	<u>50,000</u>	0.76
	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	

### c. Long-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bank loans		
Due on various dates through September 2024, interest at 1%-1.39% p.a. and 0.99%-1.39% p.a. for 2019 and 2018, respectively	\$1,025,000	\$1,001,389
Mortgage loans		
Due on various dates through October 2023, interest at 1.37%-1.45% p.a. and 1.38%-1.45% p.a. for 2019 and 2018, respectively	<u>1,098,000</u>	<u>1,200,000</u>
	2,123,000	2,201,389
Less: Current portion	<u>489,500</u>	<u>466,389</u>
	<u>\$1,633,500</u>	<u>\$1,735,000</u>

The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until July 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The Company's consolidated financial statements didn't breached the contract.

## 18. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company's notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company has financial risk management policies to ensure that all payables are paid within the agreed credit terms.

## 19. OTHER PAYABLES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Commission and service fee	\$ 107,093	\$ 94,438
Salaries and incentive bonus	103,636	106,531
Employee compensation and remuneration of directors	4,838	26,045
Purchases of equipment	923	10,295
Others	<u>41,947</u>	<u>55,977</u>
	<u>\$ 258,437</u>	<u>\$ 293,286</u>

## 20. PROVISIONS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Warranties	<u>\$ 26,251</u>	<u>\$ 14,439</u>

Movements of the warranties were as follows,

	<b>Amount</b>
Balance at January 1, 2018	\$ 36,993
Recognized	58,311
Paid	<u>(80,865)</u>
Balance at December 31, 2018	14,439
Recognized	97,163
Paid	<u>(85,351)</u>
Balance at December 31, 2019	<u>\$ 26,251</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan in the Republic of China. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the standalone balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 264,055	\$ 285,706
Fair value of plan assets	<u>(193,795)</u>	<u>(210,018)</u>
Net defined benefit liabilities	<u>\$ 70,260</u>	<u>\$ 75,688</u>

Movements of net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 282,709</u>	<u>( \$ 211,038 )</u>	<u>\$ 71,671</u>
Service cost			
Current service cost	2,701	-	2,701
Interest expense (income)	<u>3,534</u>	<u>( 2,677 )</u>	<u>857</u>
Recognized in profit or loss	<u>6,235</u>	<u>( 2,677 )</u>	<u>3,558</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 6,086 )</u>	<u>( 6,086 )</u>
Actuarial loss - changes in demographic assumptions	581	-	581
Actuarial loss - changes in financial assumptions	2,906	-	2,906
Actuarial loss - experience adjustments	<u>9,202</u>	<u>-</u>	<u>9,202</u>
Recognized in other comprehensive income	<u>12,689</u>	<u>( 6,086 )</u>	<u>6,603</u>
Contributions from the employer	-	<u>( 6,144 )</u>	<u>( 6,144 )</u>
Benefits paid	<u>( 15,927 )</u>	<u>15,927</u>	<u>-</u>
	<u>( 15,927 )</u>	<u>9,783</u>	<u>( 6,144 )</u>
Balance at December 31, 2018	<u>285,706</u>	<u>( 210,018 )</u>	<u>75,688</u>

(Continued)

	<u>Present Value of the Defined Benefit Obligation</u>	<u>Fair Value of the Plan Assets</u>	<u>Net Defined Benefit Liabilities</u>
Service cost			
Current service cost	\$ 2,455	\$ -	\$ 2,455
Interest expense (income)	<u>3,214</u>	<u>( 2,397 )</u>	<u>817</u>
Recognized in profit or loss	<u>5,669</u>	<u>( 2,397 )</u>	<u>3,272</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 7,287 )	( 7,287 )
Actuarial loss - changes in demographic assumptions	1,724	-	1,724
Actuarial loss - changes in financial assumptions	8,619	-	8,619
Actuarial loss - experience adjustments	<u>( 5,869 )</u>	<u>-</u>	<u>( 5,869 )</u>
Recognized in other comprehensive income	<u>4,474</u>	<u>( 7,287 )</u>	<u>( 2,813 )</u>
Contributions from the employer	-	( 5,887 )	( 5,887 )
Benefits paid	<u>( 31,794 )</u>	<u>31,794</u>	<u>-</u>
	<u>( 31,794 )</u>	<u>25,907</u>	<u>( 5,887 )</u>
Balance at December 31, 2019	<u>\$ 264,055</u>	<u>( \$ 193,795 )</u>	<u>\$ 70,260</u>

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 2,499	\$ 2,701
Selling expenses	559	624
General and administrative expenses	<u>214</u>	<u>233</u>
	<u>\$ 3,272</u>	<u>\$ 3,558</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future

salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate (%)	0.8	1.125
Expected rate of salary increase (%)	2.25	2.25
Turnover rate (%)	1-30	2-30
Voluntary retirement rate (%)	5-100	5-100

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (5,600)</u>	<u>\$ (5,914)</u>
0.25% decrease	<u>\$ 6,979</u>	<u>\$ 6,118</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 5,537</u>	<u>\$ 5,857</u>
0.25% decrease	<u>\$ (5,379)</u>	<u>\$ (5,692)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 6,150</u>	<u>\$ 6,150</u>
The average duration of the defined benefit obligation	11 years	11 years

## 22. EQUITY

### a. Ordinary Shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Numbers of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Amount of shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>254,827</u>	<u>254,827</u>
Amount of shares issued	<u>\$ 2,548,265</u>	<u>\$ 2,548,265</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Additional paid-in capital	\$ 960,854	\$ 960,854
Conversion of bonds	222,593	222,593
Interest compensation	5,577	5,577
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>-</u>	<u>9,336</u>
	<u>1,189,024</u>	<u>1,198,360</u>
May be used to offset a deficit only		
Expired employee stock warrants	1,234	1,234
Changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>1,510</u>
	<u>1,234</u>	<u>2,744</u>
	<u>\$ 1,190,258</u>	<u>\$ 1,201,104</u>

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

### c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No.1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

In June 2018, the board of directors of the Company approved to recover the net loss in 2017 from the undistributed earnings in the previous year, and distributed no earnings.

The appropriations of earnings for 2018 were approved in the shareholders' meetings in June 2019. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 31,223	
Special reserve	43,694	
Cash dividends	<u>76,448</u>	<u>\$ 0.3</u>
	<u>\$ 151,365</u>	

The appropriations of earnings for 2019 had been proposed in the Board of Directors' meetings in March 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 5,895	
Special reserve	(43,694)	
Cash dividends	<u>50,965</u>	<u>\$ 0.2</u>
	<u>\$ 13,166</u>	

The proposal is subject to the resolution in the shareholders' meeting to be held in June 2020.

d. Other equity

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (84,143)	\$ (63,767)
Recognized for the year		
Exchange differences on translating foreign operations	(49,198)	(1,125)
Share of exchange difference of subsidiaries accounted for using the equity method	(18,013)	(27,227)
Income tax	13,442	5,671
Effect of change in tax rate	<u>-</u>	<u>2,305</u>
Balance at December 31	<u>\$ (137,912)</u>	<u>\$ (84,143)</u>

2) Unrealized gain and loss on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 40,449	\$ 28,727
Recognized for the year		
Unrealized gain and loss - equity instruments	<u>9,193</u>	<u>11,722</u>
Balance at December 31	<u>\$ 49,642</u>	<u>\$ 40,449</u>

## 23. OPERATING REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from sale of goods	\$ 4,919,646	\$ 5,861,774
Revenue from maintenance and rebuilding services	<u>502,882</u>	<u>614,497</u>
	<u>\$ 5,422,528</u>	<u>\$ 6,476,271</u>

a. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes and accounts receivable, long-term notes receivables	<u>\$ 1,961,425</u>	<u>\$ 2,758,184</u>	<u>\$ 2,836,221</u>
Contract liabilities			
Sales of goods	<u>\$ 377,691</u>	<u>\$ 695,196</u>	<u>\$ 580,895</u>

b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
<b>Geographical</b>	<b>2019</b>	<b>2018</b>
Taiwan	\$ 1,148,185	\$ 1,320,947
China	2,149,539	3,051,794
Asia	1,417,425	998,493
Others	<u>707,379</u>	<u>1,105,037</u>
	<u>\$ 5,422,528</u>	<u>\$ 6,476,271</u>

## 24. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidy income	\$ 39,254	\$ 73,000
Interest income	20,060	14,989
Rental income	18,531	13,879
Dividend income	8,068	1,393
Others	<u>16,452</u>	<u>12,496</u>
	<u>\$ 102,365</u>	<u>\$ 115,757</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net foreign exchange loss	\$ (82,917)	\$ (54,097)
Compensation expense	(9,005)	(2,819)
Depreciation expense	(8,263)	(8,106)
Gain (loss) on financial instruments at fair value through profit or loss	(1,513)	22,913
Gain (loss) on disposal of property, plant and equipment	270	(365)
Others	<u>(363)</u>	<u>(2,060)</u>
	<u>\$ (101,791)</u>	<u>\$ (44,534)</u>

The components of net foreign exchange loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gain	\$ 40,625	\$ 62,942
Foreign exchange loss	<u>(123,542)</u>	<u>(117,039)</u>
Net foreign exchange loss	<u>\$ (82,917)</u>	<u>\$ (54,097)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 52,872	\$ 55,126
Interest on lease liabilities	13,023	-
Others	<u>754</u>	<u>2,355</u>
	<u>\$ 66,649</u>	<u>\$ 57,481</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Depreciation expenses		
Property, plant and equipment	\$ 126,813	\$ 121,214
Right-of-use assets	20,285	-
Investment properties	<u>7,386</u>	<u>8,004</u>
	<u>\$ 154,484</u>	<u>\$ 129,218</u>
 An analysis of depreciation by function		
Operating costs	\$ 81,617	\$ 84,966
Operating expenses	64,604	36,146
Non-operating expenses	<u>8,263</u>	<u>8,106</u>
	<u>\$ 154,484</u>	<u>\$ 129,218</u>
 Amortization expenses		
Computer Software	\$ 17,788	\$ 19,658
Others	<u>18,853</u>	<u>14,131</u>
	<u>\$ 36,641</u>	<u>\$ 33,789</u>
 An analysis of amortization by function		
Operating costs	\$ 26,101	\$ 23,418
Operating expenses	<u>10,540</u>	<u>10,371</u>
	<u>\$ 36,641</u>	<u>\$ 33,789</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct operating expenses of investment properties that generated rental income	<u>\$ 8,133</u>	<u>\$ 9,057</u>

f. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits		
Salaries	\$ 488,169	\$ 579,790
Insurance	55,836	57,212
Others	<u>24,249</u>	<u>22,993</u>
	<u>568,254</u>	<u>659,995</u>
 Post-employment benefits		
Defined contribution plans	26,273	27,847
Defined benefit plans (Note 21)	<u>3,272</u>	<u>3,558</u>
	<u>29,545</u>	<u>31,405</u>
	<u>\$ 597,799</u>	<u>\$ 691,400</u>
 Analysis of employee benefits by function		
Operating costs	\$ 456,111	\$ 506,141
Operating expenses	<u>141,688</u>	<u>185,259</u>
	<u>\$ 597,799</u>	<u>\$ 691,400</u>

g. Employees' compensation and remuneration of directors

To be in compliance with the Company Act, the Company distributed employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors.

The employees' compensation and remuneration of directors (all in cash) for the year ended December 31, 2019 and 2018 which have been approved by the Company's board of directors were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	\$ 3,894	\$ 20,963
Remuneration of directors	944	5,082

If there is a change in the proposed amounts after the annual standalone financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the year ended December 31, 2018. Because of the net operating loss in 2017, employees' compensation and remuneration of directors were not accrued.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAX

a. Major components of income tax benefit recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 23,474	\$ 17,795
Income tax on unappropriated earnings	6,141	-
Adjustments for prior years	<u>5,731</u>	<u>(3,238)</u>
	<u>35,346</u>	<u>14,557</u>
Deferred tax		
In respect of the current year	(26,746)	8,050
Changes in tax rates	-	(21,093)
Adjustments for prior years	<u>(12,634)</u>	<u>(18,136)</u>
	<u>(39,380)</u>	<u>(31,179)</u>
	<u>\$ (4,034)</u>	<u>\$ (16,622)</u>

The reconciliation of accounting profit and income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 23,474	\$ 17,795
Income tax on unappropriated earnings	6,141	-
Adjustments for prior years	<u>5,731</u>	<u>(3,238)</u>
	<u>35,346</u>	<u>14,557</u>
Deferred tax		
In respect of the current year	(26,746)	8,050
Changes in tax rates	-	(21,093)
Adjustments for prior years	<u>(12,634)</u>	<u>(18,136)</u>
	<u>(39,380)</u>	<u>(31,179)</u>
	<u>\$ (4,034)</u>	<u>\$ (16,622)</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax	<u>\$ 54,913</u>	<u>\$ 295,603</u>
Income tax expense calculated at the statutory rate	\$ 10,983	\$ 59,121
Income tax on unappropriated earnings	6,141	-
Non-deductible expenses in determining taxable income	( 14,255 )	( 33,276 )
Changes in tax rates	-	( 21,093 )
Adjustments for prior years	<u>( 6,903 )</u>	<u>( 21,374 )</u>
	<u>( \$ 4,034 )</u>	<u>( \$ 16,622 )</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Change in percentage of ownership	<u>\$ (3,457)</u>	<u>\$ 2,711</u>

c. Income tax benefit recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
In respect of the current period		
Translation of foreign operations	\$ 13,442	\$ 5,671
Remeasurement on defined benefit plans	(563)	1,320
Change in tax rates	-	7,406
	<u>\$ 12,879</u>	<u>\$ 14,397</u>

d. Current tax liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 13,732</u>	<u>\$ 9,861</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Recognized Directly in Equity</b>	<b>Balance, End of Year</b>
<b>Deferred tax assets</b>					
Temporary differences					
Write-downs of inventory	\$ 67,032	\$ 26,288	\$ -	\$ -	\$ 93,320
Allowance for bad debts	28,763	9,289	-	-	38,052
Share of loss of foreign subsidiaries	30,335	5,008	-	3,457	38,800
Exchange difference on translating foreign operations	21,037	-	13,442	-	34,479
Deduction of development cost	4,366	( 60 )	-	-	4,306
Defined benefit plan	15,137	( 523 )	( 563 )	-	14,051
Time difference of revenue recognition	28,540	( 12,380 )	-	-	16,160
Unrealized gain on transactions with subsidiaries	1,737	137	-	-	1,874
Provisions	2,888	2,362	-	-	5,250
Others	13,576	9,259	-	-	22,835
	<u>\$ 213,411</u>	<u>\$ 39,380</u>	<u>\$ 12,879</u>	<u>\$ 3,457</u>	<u>\$ 269,127</u>
<b>Deferred tax liabilities</b>					
Temporary differences					
Land value increment tax	<u>\$ 61,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

For the Year Ended December 31, 2018

	<b>Balance, Beginning of Year</b>	<b>Adjustment on Initial Application of IFRS 9</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Recognized Directly in Equity</b>	<b>Balance, End of Year</b>
<b>Deferred tax assets</b>						
Temporary differences						
Write-downs of inventory	\$ 46,791	\$ -	\$ 20,241	\$ -	\$ -	\$ 67,032
Allowance for bad debts	25,711	-	3,052	-	-	28,763
Share of loss of foreign subsidiaries	24,562	-	8,484	-	( 2,711 )	30,335
Exchange difference on translating foreign operations	13,061	-	-	7,976	-	21,037
Deduction of development cost	7,005	-	( 2,639 )	-	-	4,366
Defined benefit plan	12,184	-	( 3,468 )	6,421	-	15,137
Time difference of revenue recognition	19,779	-	8,761	-	-	28,540
Unrealized gain on transactions with subsidiaries	2,206	-	( 469 )	-	-	1,737
Provisions	\$ 6,289	\$ -	( \$ 3,401 )	\$ -	\$ -	\$ 2,888
Others	20,042	( 6,701 )	235	-	-	13,576
	<u>\$ 177,630</u>	<u>( \$ 6,701 )</u>	<u>\$ 30,796</u>	<u>\$ 14,397</u>	<u>( \$ 2,711 )</u>	<u>\$ 213,411</u>
<b>Deferred tax liabilities</b>						
Temporary differences						
Land value increment tax	\$ 61,301	\$ -	\$ -	\$ -	\$ -	\$ 61,301
Others	383	-	( 383 )	-	-	-
	<u>\$ 61,684</u>	<u>\$ -</u>	<u>( \$ 383 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,301</u>

f. Information about unused investment credits

As of December 31, 2019, investment credits comprised of the following:

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Research and development expenditure	<u>\$ 4,306</u>	2020

g. Income tax assessments

The income tax returns of the Company through 2017 have been assessed by the tax authorities.

## 26. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Attributable to owners of the Company	<u>\$ 58,947</u>	<u>\$ 312,225</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares in computation of basic earnings per share	254,827	254,827
Effect of potentially dilutive potential ordinary shares:		
Employees' compensation	<u>477</u>	<u>1,212</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>255,304</u>	<u>256,039</u>

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 27. INVESTMENT IN SUBSIDIARIES-WITHOUT IMPACT OF CONTROLLING

In December 2019, the subsidiary Tongan acquired residual shares of MBI. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, reduced the capital surplus by NT\$10,622 thousand and the retained earnings by NT\$3,207 thousand (net of income tax of NT\$3,457 thousand).

In September 2019, the Company subscribed for additional new shares of Tong-Yeh at a percentage different from its existing ownership percentage. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$224 thousand.

In October 2018, subsidiary Tongan acquired additional shares of MBI, and increased its continuing interest. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and reduced the capital surplus by NT\$95 thousand (net of income tax of NT\$23 thousand).

In April 2018, the Company subscribed for additional new shares of TTM at a percentage different from its existing ownership percentage, and acquired the remaining ownership from non-controlling interests. The transaction was accounted for as equity transaction since the Company did not cease to have control over the subsidiary, and adjusted capital surplus, net of income tax of NT\$2,734 thousand, was as follows:

	<b>Amount</b>
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 9,336
Changes in percentage of ownership interests in subsidiaries	<u>1,605</u>
	<u>\$ 10,941</u>

## 28. NON-CASH TRANSACTIONS

For the years ended December 31, 2019 and 2018, the Company entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Investing activities affecting both cash and non-cash items		
Property, plant and equipment	\$ 15,349	\$ 22,612
Payable for equipment	9,372	17,815
Prepayment for equipment	<u>-</u>	<u>(8,049)</u>
Cash paid	<u>\$ 24,721</u>	<u>\$ 32,378</u>

## 29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that, as a whole, it will be able to continue as going concerns; the Company uses operating capital effectively and optimize debt and equity balance. The overall strategy of the Company has not significantly changed over in 2019.

The key management personnel of the Company reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated

with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company consists of net debt and equity without any need for complying with other external capital requirements.

### 30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company believes the carrying amounts of financial asset and liabilities recognized in the standalone financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 121,572	\$ -	\$ -	\$ 121,572
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>58,692</u>	<u>58,692</u>
	<u>\$ 121,572</u>	<u>\$ -</u>	<u>\$ 58,692</u>	<u>\$ 180,264</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 6,357	\$ -	\$ 6,357
Swap contracts	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
	<u>\$ -</u>	<u>\$ 8,257</u>	<u>\$ -</u>	<u>\$ 8,257</u>
December 31, 2018				
Financial assets at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 5,476	\$ -	\$ 5,476
Swap contract	<u>-</u>	<u>1,716</u>	<u>-</u>	<u>1,716</u>
	<u>\$ -</u>	<u>\$ 7,192</u>	<u>\$ -</u>	<u>\$ 7,192</u>
Financial assets at FVTOCI - non-current				
Domestic listed shares	\$ 115,066	\$ -	\$ -	\$ 115,066
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>56,005</u>	<u>56,005</u>
	<u>\$ 115,066</u>	<u>\$ -</u>	<u>\$ 56,005</u>	<u>\$ 171,071</u>
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	\$ -	\$ 499	\$ -	\$ 499
Swap contracts	<u>-</u>	<u>21</u>	<u>-</u>	<u>21</u>
	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ 520</u>

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial assets

	<b>Equity Instruments - Financial Assets at FVTOCI</b>	
	<b>For the Year Ended December 31</b>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets</u>		
Balance at January 1	\$ 56,005	\$ 49,420
Change in fair value recognized in other comprehensive income	<u>2,687</u>	<u>6,585</u>
Balance at December 31	<u>\$ 58,692</u>	<u>\$ 56,005</u>

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement

Derivative instruments used the quoted price of bank as the basis of the fair values.

4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies.

c. Categories of financial instruments

	<b>December 31</b>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ -	\$ 7,192
Financial assets at amortized cost (1)	3,104,743	3,378,663
Financial assets at FVTOCI		
Equity instruments	180,264	171,071
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	8,257	520
Financial liabilities at amortized cost (2)	4,707,715	6,026,716

1) The balances included financial assets at amortized cost, which comprise cash, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes receivable.

2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables and long-term borrowings (including those due in one year).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which

analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company is exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing swap contract, cross-currency swap contract, and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 34.

The Company is mainly exposed to the USD and CNY. The following table details the Company's sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

	<b>USD Impact</b>		<b>CNY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Pre-tax profit or loss (Note)	<u>\$ (10,560)</u>	<u>\$ (11,074)</u>	<u>\$ (48,085)</u>	<u>\$ (58,449)</u>

Note: These were mainly attributable to the exposure of the USD and CNY (including cash, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial liabilities	\$ 1,188,047	\$ 900,000
Cash flow interest rate risk		
Financial liabilities	1,792,840	1,804,249

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit would have been lower/higher by NT\$17,928 thousand and NT\$18,042 thousand for the year ended December 31, 2019 and 2018, respectively.

c) Other price risk

The Company is exposed to equity price risk through their investments in domestic listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have been higher/lower by NT\$1,216 thousand and NT\$1,151 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The

Company's concentration of credit risk in receivables (including notes and accounts receivable, long-term notes receivable, overdue receivables and other receivables) by customer was as follows:

Customer	December 31	
	2019	2018
Company A	\$ 863,211	\$ 1,158,121
Company B	<u>151,025</u>	<u>530,776</u>
	<u>\$ 1,014,236</u>	<u>\$ 1,688,897</u>

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>December 31, 2019</u>				
Short-term borrowings	\$ 1,509,967	\$ -	\$ -	\$ 1,509,967
Notes payable (including related parties)	33,841	-	-	33,841
Accounts payable (including related parties)	785,641	-	-	785,641
Other payables	258,437	-	-	258,437
Lease liabilities	25,727	90,689	597,508	713,924
Long-term borrowings (including those due in one year)	516,650	1,661,687	-	2,178,337
Financial guarantee liabilities	<u>1,885,616</u>	<u>-</u>	<u>-</u>	<u>1,885,616</u>
	<u>\$ 5,015,879</u>	<u>\$ 1,752,376</u>	<u>\$ 597,508</u>	<u>\$ 7,365,763</u>
<u>December 31, 2018</u>				
Short-term borrowings	\$ 1,669,405	\$ -	\$ -	\$ 1,669,405
Short-term bills payable	200,000	-	-	200,000
Notes payable (including related parties)	73,413	-	-	73,413
Accounts payable (including related parties)	1,591,941	-	-	1,591,941
Other payables	293,286	-	-	293,286
Lease liabilities	495,286	1,788,774	-	2,284,060
Long-term borrowings (including those due in one year)	<u>1,581,242</u>	<u>-</u>	<u>-</u>	<u>1,581,242</u>
	<u>\$ 5,904,573</u>	<u>\$ 1,788,774</u>	<u>\$ -</u>	<u>\$ 7,693,347</u>

Further information for maturity analysis of lease liabilities was as follow:

	Less than 1					
	Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 25,727</u>	<u>\$ 90,689</u>	<u>\$ 109,655</u>	<u>\$ 109,655</u>	<u>\$ 109,655</u>	<u>\$ 268,543</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

Except for the information discloses in other notes, details of transactions between the Company and other related parties were as follows:

- a. The name of the related parties and their relationships with the Company

<u>Related Party Name</u>	<u>Relationship</u>
Tongfong Auto Tech Co., Ltd. (Tongfong)	Subsidiary
Asia Pacific Elite Corp. (APEC)	Subsidiary
Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Subsidiary
Honor Seiki Co., Ltd. (Honor Seiki)	Subsidiary
Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Subsidiary
Chin-Jig Technology Co., Ltd. (Chin-Jig)	Subsidiary
Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	Subsidiary
Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	Subsidiary
Tong Tai Machinery Co., Ltd. (TTM)	Subsidiary
Tongtai Seki Vietnam Co., Ltd	Subsidiary
Tongtai Machine Tool (SEA) Sdn. Bhd.	Subsidiary
Tongtai Machine Tool (MFG) Sdn. Bhd.	Subsidiary
SKTD Co., Ltd.	Subsidiary
Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI)	Subsidiary
Anger Machining GmbH (Anger)	Subsidiary
HPC Produktions GmbH	Subsidiary
Tongtai Europe B.V. (TTE)	Subsidiary
Tongtai East Europe S.R.L.	Subsidiary (was liquidated in July 2019)
Union Top Industrial (Samoa) Limited (Union Top)	Subsidiary
Tongan GmbH	Subsidiary
Mbi-group Beteiligung GmbH	Subsidiary
Control Technology Co., Ltd.	Other related parties
F.S.E Corporation	Other related parties
Ever Lumin Incorporation	Other related parties
Shiang Jen Co., Ltd. (Shiang Jen)	Other related parties
Hao Shiang Co., Ltd.	Other related parties
San Shin Co., Ltd. (San Shin)	Other related parties
Sysco Machinery Corporation	Other related parties
Dong Ying Investment Co., Ltd.	Other related parties
Sheng Li Machine Industry Co., Ltd.	Other related parties
PT. Tong-Tai Seikindo Utama	Substantial related party

- b. Sales of goods

<u>Account Item</u>	<u>Related Party Type</u>	<u>For the Year Ended December 31</u>	
		<u>2019</u>	<u>2018</u>
Revenues from sales	Subsidiaries		
	Suzhou Tongyu	\$ 415,044	\$ 818,667
	Others	368,528	386,462
	Other related parties	<u>11,210</u>	<u>6,149</u>
		<u>\$ 794,782</u>	<u>\$ 1,211,278</u>

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

Related Party Type	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 364,505	\$ 404,820
Other related parties	<u>192,846</u>	<u>304,429</u>
	<u>\$ 557,351</u>	<u>\$ 709,249</u>

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties (not including loans to related parties)

Account Item	Related Party Type	December 31	
		2019	2018
Notes receivables - related parties	Subsidiaries	<u>\$ 1,455</u>	<u>\$ 1,051</u>
Accounts receivable - related parties	Subsidiaries		
	Suzhou Tongyu	\$ 150,370	\$ 530,096
	Others	162,179	86,461
	Other related parties	<u>4,413</u>	<u>5,693</u>
		<u>\$ 316,962</u>	<u>\$ 622,250</u>
Other receivables - related parties	Subsidiaries	\$ 9,494	\$ 6,608
	Other related parties	<u>786</u>	<u>782</u>
		<u>\$ 10,280</u>	<u>\$ 7,390</u>

e. Payables to related parties

Account Item	Related Party Type	December 31	
		2019	2018
Notes payable - related parties	Subsidiaries	\$ -	\$ 3,016
	Other related parties		
	San Shin	\$ 38	\$ 1,247
	Others	<u>-</u>	<u>1,737</u>
		<u>\$ 38</u>	<u>\$ 6,000</u>
Accounts payable - related parties	Subsidiaries		
	Tongfong	\$ 54,079	\$ 132,580
	Others	27,376	27,621
	Other related parties		
	Shiang Jen	49,330	97,820
	San Shin	<u>23,348</u>	<u>45,124</u>
		<u>\$ 154,133</u>	<u>\$ 303,145</u>
Other payables	Subsidiaries		
	Suzhou Tongyu	\$ 15,688	\$ 23,461
	Others	3,089	27,253
	Other related parties	<u>-</u>	<u>3,936</u>
		<u>\$ 18,777</u>	<u>\$ 54,650</u>

f. Contract liabilities

<b>Related Party Type</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
APEC	\$ 46,292	\$ 32,401
Suzhou Tongyu	3,627	125,578
Others	4,528	9,521
Other related parties	<u>3</u>	<u>-</u>
	<u>\$ 54,450</u>	<u>\$ 167,500</u>

g. Loans to related parties (recognized as other receivables - related parties)

<b>Related Party Type</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
Anger	\$ 201,540	\$ -
Union Top	62,958	64,502
TTE	59,960	-
TTM	37,475	39,930
Others	<u>5,520</u>	<u>8,346</u>
	<u>\$ 367,453</u>	<u>\$ 112,778</u>

The Company provided short-term loans to its subsidiaries, with the interest rate calculated based on the average rate of the Company's bank loans from ordinary financial institutions.

Loans to the Company's subsidiaries were unsecured loans with interest income of NT\$5,131 thousand and NT\$1,782 thousand for the years ended December 31, 2019 and 2018, respectively.

h. Endorsements and guarantees provided to related parties

<b>Related Party Type</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Endorsement/guarantee amount		
Subsidiaries		
Anger	\$ 940,520	\$ 668,800
Union Top	522,551	535,362
APEC	275,000	275,000
Others	<u>147,545</u>	<u>102,080</u>
	<u>\$ 1,885,616</u>	<u>\$ 1,581,242</u>
Amount actually drawn		
Subsidiaries		
Anger	\$ 483,856	\$ 506,188
APEC	224,300	242,603
Union Top	198,767	250,327
Others	<u>97,608</u>	<u>73,381</u>
	<u>\$ 1,004,531</u>	<u>\$ 1,072,499</u>

i. Other transactions with related parties

Account Item	Related Party Type	For the Year Ended December 31	
		2019	2018
1) After-sales service expenses (recognized as selling and marketing expenses)	Subsidiaries		
	Suzhou Tongyu	\$ 25,388	\$ 44,323
	TTJP	28,968	25,077
	Others	17,911	1,681
	Other related parties	<u>-</u>	<u>476</u>
		<u>\$ 72,267</u>	<u>\$ 71,557</u>
2) Commission expense (recognized as selling and marketing expenses)	Subsidiaries		
	Suzhou Tongyu	\$ 16,398	\$ 22,115
	Others	20,821	22,624
	Other related parties	<u>5,890</u>	<u>6,262</u>
		<u>\$ 43,109</u>	<u>\$ 51,001</u>
3) Rental income	Subsidiaries		
	PCI	\$ 2,305	\$ 3,025
	Others	2,892	3,856
	Other related parties		
	Shiang Jen	4,920	4,860
Others	<u>6</u>	<u>6</u>	
	<u>\$ 10,123</u>	<u>\$ 11,747</u>	

The above rental was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

j. Disposal of property, plant and equipment

The Company disposed the property, plant and equipment to its subsidiary, Honor Seiki for the year ended December 31, 2019. Proceeds from disposal of property, plant and equipment was NT\$275,500 thousand with the gain on disposal of property, plant and equipment amounted of NT\$82 thousand. The selling price and the collection terms were determined by negotiation.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 12,231	\$ 8,351
Post-employment benefits	<u>234</u>	<u>232</u>
	<u>\$ 12,465</u>	<u>\$ 8,583</u>

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company's assets mortgaged or pledged as collateral for short-term and long-term borrowings, lease of land at Southern Science Industrial Park, and banker's guarantee of subsidiaries were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 659,985	\$ 787,890
Pledged deposits (under other financial assets)	209,068	143,471
Investment properties	<u>172,264</u>	<u>232,724</u>
	<u>\$ 1,041,317</u>	<u>\$ 1,164,085</u>

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2019 were as follows:

- a. Unused letters of credit in the amount of NT\$44,205 thousand.
- b. For sales bidding, export tariff and commodity tax, the Company entered into credit facility agreements with banks for commitment amount of NT\$261,753 thousand.

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<b>Monetary foreign currency assets</b>				
CNY	\$ 377,007	4.305	(CNY:NTD)	\$ 1,623,013
USD	21,779	29.98	(USD:NTD)	652,922
<b>Non-monetary foreign currency assets</b>				
Investment accounted for using the equity method				
USD	457	29.98	(USD:NTD)	13,709
EUR	10,088	33.59	(EUR:NTD)	338,856
MRY	6,927	7.033	(MRY:NTD)	48,716
JPY	90,967	0.276	(JPY:NTD)	25,107
<b>Monetary foreign currency liabilities</b>				
USD	10,037	29.98	(USD:NTD)	300,922
CNY	4,686	4.305	(CNY:NTD)	20,174

(Continued)

December 31, 2018	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets				
CNY	\$ 438,870	4.472	(CNY:NTD)	\$ 1,962,626
USD	21,466	30.715	(USD:NTD)	659,319
Non-monetary foreign currency assets				
Investment accounted for using the equity method				
USD	465	30.715	(USD:NTD)	14,296
EUR	12,683	35.2	(EUR:NTD)	446,451
MRY	6,749	7.112	(MRY:NTD)	48,002
JPY	73,380	0.2782	(JPY:NTD)	20,414
Monetary foreign currency liabilities				
USD	9,448	30.715	(USD:NTD)	290,196
CNY	3,200	4.472	(CNY:NTD)	14,310

(Concluded)

The total foreign exchange net loss amounted to NT\$82,917 thousand and NT\$54,097 thousand for the years ended December 31, 2019 and 2018, respectively. It is impractical to disclose the net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

### 35. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company:

- a. Financial provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Information about the derivative financial instruments transaction: Please see Note 7;
- j. Names, locations, and related information of investees over which the Company and its subsidiaries exercises significant influence (excluding information on investment in Mainland China): Please see Table 6 attached;

k. Information on investment in Mainland China

- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None;
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 4 attached;
  - c) The amount of property transactions and the amount of the resultant gains or losses: None;
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

**36. SEGMENT INFORMATION**

Disclosure of the segment information in standalone financial statements is waived.

**TABLE 1**

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Other receivables - related party	Yes	\$ 130,140	\$ 129,150	\$ -	-	Note 1	\$ -	Operating capital	\$ -		\$ -	\$ 528,456	\$ 1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Other receivables - related party	Yes	80,470	38,974	37,475	2.7	Note 1	-	Acquiring Building	-		-	528,456	1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Other receivables - related party	Yes	422,640	302,310	201,540	1.7	Note 1	-	Operating capital	-		-	528,456	1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	SKTD Co., Ltd.	Other receivables - related party	Yes	11,132	5,520	5,520	1.7	Note 1	-	Operating capital	-		-	528,456	1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Other receivables - related party	Yes	63,200	59,960	59,960	1.7	Note 1	-	Operating capital	-		-	528,456	1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Other receivables - related party	Yes	2,905	-	-	1.7	Note 1	-	Operating capital	-		-	528,456	1,056,913	Note 2
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Other receivables - related party	Yes	231,225	74,950	62,958	2.7	Note 1	-	Operating capital	-		-	528,456	1,056,913	Note 2
1	Union Top	Tongtai Europe B.V.	Other receivables - related party	Yes	66,360	-	-	1.7	Note 1	-	Operating capital	-		-	97,356	194,712	Note 3
1	Union Top	Asia Pacific Elite Corp.	Other receivables - related party	Yes	44,070	-	-	2.6-3.2	Note 1	-	Operating capital	-		-	97,356	194,712	Note 3
2	PCI-SCEMM	TTGroup France	Other receivables - related party	Yes	7,076	6,718	5,039	1.5	Note 1	-	Operating capital	-		-	38,469	76,939	Note 3
3	Honor Seiki Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Other receivables - related party	Yes	10,000	10,000	-	-	Note 1	-	Operating capital	-		-	123,734	247,468	Note 3

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement /Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	The Corporation owns directly or indirectly over 50% ownership of the investee company	\$ 1,585,369	\$ 31,390	\$ 29,980	\$ 16,230	\$ -	0.57	\$ 2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	PCI-SCEMM	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	31,842	30,231	-	-	0.57	2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	550,788	522,551	198,767	-	9.89	2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Mbi-group Beteiligungs GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	70,760	67,180	64,583	-	1.27	2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	940,520	940,520	483,856	-	17.80	2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	275,000	275,000	224,300	-	5.20	2,642,282	Y	-	-	
0	Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	The Corporation owns directly or indirectly over 50% ownership of the investee company	1,585,369	20,154	20,154	16,795	-	0.38	2,642,282	Y	-	-	

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

1. For Tongtai Machine & Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

2. For Tongtai Machine & Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.
- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2019				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Tongtai Machine & Tool Co., Ltd.	Common stock Contrel Technology Co., Ltd.	Same president	Financial assets at fair value through other comprehensive income - non current	6,849,178	\$ 121,572	4	\$ 121,572	
	HAU SHYANG TECHNOLOGIES ELECTRONIC CO., LTD. SHIANG JEN CO., LTD.	The held company as its director	Financial assets at fair value through other comprehensive income - non current	3,995,000	18,502	15	18,502	
		The held company as its director	Financial assets at fair value through other comprehensive income - non current	1,520,000	16,977	19	16,977	
	USYNC INC.	-	Financial assets at fair value through other comprehensive income - non current	295,371	10,239	4	10,239	
	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - non current	280,000	7,170	1	7,170	
	WORLD KNOWN MFG. CO., LTD.	-	Financial assets at fair value through other comprehensive income - non current	229,729	5,804	1	5,804	
					<u>\$ 180,264</u>		<u>\$ 180,264</u>	
	Common stock YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	75,000	<u>\$ -</u>	14	<u>\$ -</u>	
CHIN-JIG CO., LTD (SHANGHAI)	QIAN YUAN - MAN-YI 180 days open-end wealth management products	-	Financial assets at fair value through profit or loss - current		\$ 9,228		\$ 9,228	
	QIAN YUAN - HUI XIANG open-end wealth management products	-	Financial assets at fair value through profit or loss - current		9,228		9,228	
					<u>\$ 18,456</u>		<u>\$ 18,456</u>	

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Purchase/Sale Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Tongtai Machine & Tool Co., Ltd.	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	Sales	\$ (415,044)	(8)	Comparable with ones of non-related party transactions	\$ -	-	\$ 150,370	8	
	Tongtai Machine Tool (SEA) Sdn. Bhd.	Subsidiary	Sales	(129,927)	(2)	Comparable with ones of non-related party transactions	-	-	76,344	4	
	Tongfong Auto Tech Co., Ltd.	Subsidiary	Purchases	189,681	6	Comparable with ones of non-related party transactions	-	-	(54,079)	(7)	
	SHIANG JEN CO., LTD.	The held company as its director	Purchases	132,714	4	Comparable with ones of non-related party transactions	-	-	(49,330)	(6)	

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Amount		
Tongtai Machine & Tool Co., Ltd.	Anger Machining GmbH	Subsidiary	\$ 210,375 (Note 1)	9.93	\$ -	-	\$ 6,956	\$ -
	Suzhou Tongyu Machine Tool Co., Ltd.	Subsidiary	151,025 (Note 2)	1.22	-	-	-	-

Note 1: Including accounts receivable amounted of NT\$6,537 thousand and other receivable amounted of NT\$203,838 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: Including accounts receivable amounted of NT\$150,370 thousand and other receivable amounted of NT\$655 thousand. Other receivable was excluded in the calculation turnover rate.

## TONGTAI MACHINE &amp; TOOL CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Tongtai Machine & Tool Co., Ltd.	Honor Seiki Co., Ltd.	Kaohsiung City	Sales and manufacturing of equipment	\$ 100,731	\$ 100,731	18,253,424	51.00	\$ 519,868	\$ 114,647	\$ 58,776	
Tongtai Machine & Tool Co., Ltd.	Asia Pacific Elite Corp.	Taichung City	Sales and manufacturing of equipment	409,238	409,238	14,515,414	99.00	79,913	7,689	8,713	
Tongtai Machine & Tool Co., Ltd.	Quick-Tech Machinery Co., Ltd.	Tainan City	Sales and manufacturing of equipment	80,582	80,582	6,238,800	52.00	85,469	(50,211 )	(26,104 )	
Tongtai Machine & Tool Co., Ltd.	Chin-Jig Technology Co., Ltd.	Taipei City	Sales of mold and equipment	27,971	27,971	2,799,000	70.00	59,355	(1,822 )	(1,276 )	
Tongtai Machine & Tool Co., Ltd.	Tongfong Auto Tech Co., Ltd.	Kaohsiung City	Sales of electric automation equipment	13,974	13,974	1,499,000	99.00	58,376	27,309	27,291	
Tongtai Machine & Tool Co., Ltd.	Tong-Yeh Precision Co., Ltd.	Kaohsiung City	Manufacturing and processing of metal part	14,476	13,457	1,052,898	60.00	27,525	(1,190 )	(780 )	
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited	Samoa	General investment	560,867	560,867	16,465,400	100.00	959,441	15,208	15,208	
Tongtai Machine & Tool Co., Ltd.	Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines	France	Sales and manufacturing of equipment	182,200	182,200	1,000,000	100.00	384,694	42,921	42,921	
Tongtai Machine & Tool Co., Ltd.	Tong-Tai Seiki USA, Inc.	USA	Sales of merchandise	71,667	71,667	100	100.00	13,709	(253 )	(253 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Mexico S.A. DE C.V.	Mexico	Sales of merchandise	10,155	-	65,999	100.00	8,513	(1,961 )	(1,961 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Europe B.V.	Netherlands	Sales of merchandise	96,221	96,221	9,000	100.00	(8,965 )	(11,622 )	(11,622 )	
Tongtai Machine & Tool Co., Ltd.	Tong Tai Machinery Co., Ltd.	Thailand	Sales of customized machine	5,854	5,854	999,998	100.00	32,423	5,985	5,985	
Tongtai Machine & Tool Co., Ltd.	Tongtai Seiki Vietnam Co., Ltd.	Vietnam	Sales of customized machine	9,054	9,054	631,080	100.00	19,293	2,067	2,067	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (SEA) Sdn. Bhd.	Malaysia	Sales of customized machine	5,107	5,107	520,000	52.00	8,113	4,279	2,225	
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	(36,873 )	(83,648 )	(83,648 )	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine & Tool Japan Co., Ltd.	Japan	Sales and manufacturing of equipment	31,561	31,561	889	100.00	25,107	4,990	4,990	
Tongtai Machine & Tool Co., Ltd.	Tongtai Machine Tool (MFG) Sdn. Bhd.	Malaysia	Sales and manufacturing of equipment	71,952	71,952	8,500,000	100.00	40,603	(952 )	(952 )	
Tongtai Machine & Tool Co., Ltd.	Cyber Laser Taiwan Co., Ltd.	Tainan City	Machine and manufacturing of electronic component	20,000	20,000	2,000,000	33.00	9,397	(4,768 )	(1,574 )	
The Company	Printin3d DigiTech Co., Ltd.	Taoyuan City	Development of 3D printer of digital Implantology	10,000	10,000	1,000,000	40.00	9,100	(834 )	(333 )	
Union Top Industrial (Samoa) Limited	Great Pursuit Limited	Samoa	General investment	40,054	40,054	-	55.00	-	-	-	
Honor Seiki Co., Ltd.	Honor Seiki International Co., Ltd.	BVI	Sales of merchandise	-	1,502	-	-	-	2	2	
Honor Seiki Co., Ltd.	Honor Seiki USA Corporation	USA	Sales of machine tools	-	3,372	-	-	-	(94 )	(94 )	
Chin-Jig Technology Co., Ltd.	Time Trade International Limited	Samoa	General investment	32,771	32,771	-	100.00	80,045	2,133	2,133	
Tongtai Europe B.V.	Tongtai East Europe S.R.L.	Romania	Sales of merchandise	-	2,397	-	-	-	(2 )	(2 )	
Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines	TTGroup France	France	Sales of merchandise	1,076	1,076	30,000	100.00	1,370	287	287	
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	594,407	-	100.00	30,298	(85,468 )	(85,453 )	
Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	1,215	1,215	-	100.00	56,891	4,873	4,873	
Mbi-group Beteiligung GmbH	Anger Machining GmbH	Austrian	Sales, manufacturing and maintenance of machine tools	595,855	595,855	-	100.00	23,427	(90,193 )	(90,193 )	
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	(2,073 )	591	591	
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,397	574	574	
Tongtai Machine & Tool Japan Co., Ltd.	SKTD Co., Ltd.	Japan	Design and development of machine tools	21,497	21,497	780	98.73	19,995	2,443	2,412	
Quick-Tech Machinery Co., Ltd.	SCTW.Co., Ltd.	Tainan City	Software related service	1,000	1,000	100,000	40.00	1,008	(615 )	(246 )	

**TABLE 8**

**TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Tong-Yu Machine Tool (Shanghai) Co., Ltd.	Sales and maintenance of machine tools	\$ 72,192	Investments through a holding company registered in a third region	\$ 72,192	\$ -	\$ -	\$ 72,192	\$ (3,628 )	100.00	\$ (3,628 )	\$ 101,554	\$ -	
Suzhou Tongyu Machine Tool Co., Ltd.	Manufacturing of digital control machine and system	749,500	Investments through a holding company registered in a third region	749,500	-	-	749,500	29,035	100.00	29,035	1,116,250	53,223	
Shanghai Tong-Tai-Shin Trading Co., Ltd.	International trade	5,996	Investments through a holding company registered in a third region	5,996	-	-	5,996	15	100.00	15	9,698	8,972	
Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd.	Sales and manufacturing of printed circuit board	74,950	Investments through a holding company registered in a third region	41,223	-	-	41,223	-	55.00	-	-	-	
Chin-Jig Precision Machine (Shanghai) Co., Ltd.	Sales and manufacturing of mold and equipment	16,489	Investments through a holding company registered in a third region	16,489	-	-	16,489	2,202	70.00	1,541	43,876	47,997	

Investee Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company Chin-Jig Technology Co., Ltd.	\$ 868,910 16,489	\$ 868,910 16,489	\$ 3,170,738 50,894

Note 1: The amounts were calculated based on the foreign exchange rate as of December 31, 2019.

Note 2: The basis for recognition of investment income (loss) is based on the financial statements reviewed and attested by R.O.C. parent company's CPA.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

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**STATEMENT 1****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF CASH****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Item</u>	<u>Amount</u>
Cash on hand	<u>\$ 601</u>
Bank deposits in New Taiwan dollar	
Checking accounts	63
Demand deposits	<u>302,210</u>
	<u>302,273</u>
Foreign currency deposits (Note)	
US\$3,245 thousand	97,289
CNY 25,870 thousand	111,369
EUR 351 thousand	11,780
JPY6,888 thousand	<u>1,901</u>
	<u>222,339</u>
	<u>\$ 525,213</u>

Note: US\$1=NT\$29.98, CNY1=NT\$4.305, JPY1=NT\$0.276 and EUR 1=NT\$33.59.

**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF NOTES RECEIVABLES  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<u>Customer Name</u>	<u>Amount</u>
Notes receivable	
Non-Related Parties	
Company C	\$ 32,579
MINDMAN INDUSTRIAL CO., LTD.	13,322
ADVANCISION CORPORATION	5,165
M.D.T. TECHNOLOGIES, INC.	4,662
Others (Note)	<u>36,273</u>
	92,001
Less: Unrealized interest revenue	<u>9,851</u>
	<u>\$ 82,150</u>
Related Parties	
Asia Pacific Elite Corp.	<u>\$ 1,455</u>
Long-term notes receivable	
SHIUN TENG ELECTRONICS CO., LTD.	<u>\$ 500</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**STATEMENT 3****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF ACCOUNTS RECEIVABLES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

<u>Customer Name</u>	<u>Amount</u>	<u>Note</u>
Non-Related Parties		
Company A	\$ 862,583	Sale of goods
Company D	199,261	Sale of goods
SUMEC International Trade Co., Ltd	103,007	Sale of goods
Others (Note)	<u>526,061</u>	
	1,690,912	
Less: Allowance for impairment loss	<u>130,554</u>	
	<u>\$ 1,560,358</u>	
Related Parties		
Suzhou Tongyu Machine Tool Co., Ltd.	\$ 150,370	Sale of goods and maintenance services
Tongtai Machine Tool (SEA) Sdn. Bhd.	76,344	Sale of goods and maintenance services
Tongtai Europe B.V.	34,411	Sale of goods and maintenance services
Tongfong Auto Tech Co., Ltd.	25,679	Sale of goods and maintenance services
Others (Note)	<u>30,158</u>	
	<u>\$ 316,962</u>	

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**STATEMENT 4****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Non-Related Parties	
Tax refund receivable	\$ 17,451
Others (Note)	<u>2,756</u>
	<u>\$ 20,207</u>
Related Parties	
Receivable from financing provided to others	\$ 367,453
Others (Note)	<u>10,280</u>
	<u>\$ 377,733</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF INVENTORIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>	
	<b>Carrying Value (Note 1)</b>	<b>Net Realizable Value (Note 2)</b>
Raw materials	\$ 940,413	\$ 939,103
Supplies	156,758	158,329
Work-in-progress	1,148,420	1,329,710
Finished goods	<u>661,392</u>	<u>813,124</u>
	<u>\$ 2,906,983</u>	<u>\$ 3,240,266</u>

Note 1: Net carrying value with a deduction of allowance for loss on inventory value decline of inventories amounted of NT\$466,602 thousand.

Note 2: Refer to Note 4 for information of net realizable value.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Marketable Securities	Balance, January 1, 2019		Additions		Decrease		Balance, December 31, 2019		Collateral	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value (Note)		
Domestic listed shares										
Control Technology Co., Ltd.	6,849,178	\$ 115,066	-	\$ 6,506	-	\$ -	6,849,178	\$ 121,572	None	
Domestic unlisted shares										
Hao Shiang Co., Ltd.	3,995,000	18,502	-	-	-	-	3,995,000	18,502	None	
Shiang Jen Co., Ltd	1,520,000	14,358	-	2,619	-	-	1,520,000	16,977	None	
USYNC INC.	295,371	10,246	-	-	-	( 7)	295,371	10,239	None	
World Known MFG (Cayman) Limited	280,000	7,095	-	75	-	-	280,000	7,170	None	
WORLD KNOWN MFG CO., LTD.	229,729	5,804	-	-	-	-	229,729	5,804	None	
		<u>\$ 171,071</u>		<u>\$ 9,200</u>		<u>(\$ 7)</u>		<u>\$ 180,264</u>		

Note: Fair values are measured on the basis of the closing price on the balance sheet date or measured using the valuation techniques in Note 30.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Balance, January 1, 2019		Additions		Decrease		Share of profit of subsidiaries and associates	Changes in percentage of ownership interests in subsidiaries	Exchange differences on translating foreign operations	Remeasurement of defined benefit plan	Balance, December 31, 2019			Net Assets Value		Collateral	
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	% of Ownership	Amount	Unit Price	Total Amount		Collateral
Investments in subsidiaries																	
Union Top Industrial (Samoa) Limited	16,465,400	\$ 1,005,268	-	\$ -	-	(\$ 13,418)	Note 2	\$ 15,208	\$ -	(\$ 47,617)	\$ -	16,465,400	100	\$ 959,441	\$59.10	\$ 973,560	None
Honor Seiki Co., Ltd.	18,253,424	636,646	-	-	-	( 175,773)	Note 4	58,776	-	120	99	18,253,424	51	519,868	34.80	634,347	None
Process Conception Ingenierie-Societe de Construction D' equipments, De Mecanisations Et De Machines	1,000,000	378,088	-	-	-	-	-	42,921	-	( 18,019)	( 18,296)	1,000,000	100	384,694	384.70	384,694	None
Quick-Tech Machinery Co., Ltd.	6,238,800	111,552	-	-	-	-	-	( 26,104)	-	-	21	6,238,800	52	85,469	11.80	73,480	None
Chin-Jig Technology Co., Ltd.	2,799,000	81,925	-	-	-	( 19,593)	Note 3	( 1,276)	-	( 1,701)	-	2,799,000	70	59,355	21.20	59,355	None
Asia Pacific Elite Corp.	14,515,414	87,886	-	-	-	-	-	8,713	-	-	-	14,515,414	99	96,599	5.90	85,271	None
Tongfong Auto Tech Co., Ltd.	1,499,000	68,560	-	-	-	( 37,475)	Note 3	27,291	-	-	-	1,499,000	99	58,376	38.90	58,376	None
Tongtai Machine Tool (MFG) Sdn. Bhd.	8,500,000	42,003	-	-	-	-	-	( 952)	-	( 448)	-	8,500,000	100	40,603	4.80	40,603	None
Tong-Yeh Precision Co., Ltd.	1,006,560	31,761	46,338	1,294	Note 1	( 4,026)	Note 3	( 780)	( 224)	-	( 500)	1,052,898	60	27,525	26.10	27,525	None
Tongtai Machine & Tool Japan Co., Ltd.	889	20,414	-	-	-	-	-	4,990	-	( 297)	-	889	100	25,107	28,241.80	25,107	None
Tong-Tai Seiki USA, Inc.	100	14,296	-	-	-	-	-	( 253)	-	( 334)	-	100	100	13,709	137,090.00	13,709	None
Tongtai Mexico, S.A. DE C. V.	-	-	65,999	10,155	Note 5	-	-	( 1,961)	-	319	-	65,999	100	8,513	129.00	8,513	None
Tongtai Seiki Vietnam Co., Ltd.	631,080	17,737	-	-	-	-	-	2,067	-	( 511)	-	631,080	100	19,293	30.60	19,293	None
Tong Tai Machinery Co., Ltd.	999,998	24,905	-	-	-	-	-	5,985	-	1,533	-	999,998	100	32,423	32.40	32,423	None
Tongtai Europe B.V.	9,000	4,286	-	-	-	( 1,500)	Note 2	( 11,622)	-	( 129)	-	9,000	100	( 8,965)	(251.70)	( 2,265)	None
Tongtai Machine Tool (SEA) Sdn. Bhd.	520,000	5,999	-	-	-	-	-	2,225	-	( 111)	-	520,000	52	8,113	15.60	8,113	None
Tongan GmbH	35,000	64,077	-	-	-	-	-	( 83,648)	( 17,286)	( 16)	-	35,000	100	( 36,873)	(1,053.50)	( 36,873)	None
		2,595,403		11,449		( 251,785)		41,580	( 17,510)	( 67,211)	( 18,676)			2,293,250		2,405,231	
Accumulated impairment—Asia Pacific Elite Corp.		( 17,286)		-		-		-	-	-	-			( 17,286)		-	
Add: Credit balance for investments accounted for using the equity method		-		45,838		-		-	-	-	-			45,838		-	
		2,578,117		57,287		( 251,785)		41,580	( 17,510)	( 67,211)	( 18,676)			2,321,802		2,405,231	
Investments in associates																	
Cyber Laser Taiwan Co., Ltd.	2,000,000	10,971	-	-	-	-	-	( 1,574)	-	-	-	2,000,000	33	9,397	5.50	10,900	None
Printin3d DigiTech Co., Ltd.	1,000,000	9,433	-	-	-	-	-	( 333)	-	-	-	1,000,000	40	9,100	4.70	9,433	None
		20,404		-		-		( 1,907)	-	-	-			18,497		20,333	
		\$ 2,598,521		\$ 57,287		(\$ 251,785)		\$ 39,673	(\$ 17,510)	(\$ 67,211)	(\$ 18,676)			\$ 2,340,299		\$ 2,425,564	

Note 1: Including realized profit from downstream transactions amounted of NT\$ 275 thousand and the capital increase of subsidiaries amounted of NT\$ 1,019 thousand.

Note 2: Elimination of unrealized profit from downstream transactions.

Note 3: Dividends received.

Note 4: Including dividends received amounted of NT\$62,062 thousand and elimination of unrealized profit from downstream transaction amounted of NT\$ 113,711 thousand.

Note 5: New investment cost.

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2019(Note)	Additions	Decrease	Balance, December 31, 2019
Cost				
Land	\$ 704,699	\$ -	\$ 212,758	\$ 491,941
Buildings	1,053	10	-	1,063
Transportation Equipment	4,281	4,619	-	8,900
Total	<u>710,033</u>	<u>\$ 4,629</u>	<u>\$ 212,758</u>	<u>501,904</u>
Accumulated depreciation				
Land	-	\$ 16,957	\$ 1,818	15,139
Buildings	-	512	-	512
Transportation Equipment	-	2,816	-	2,816
Total	<u>-</u>	<u>\$ 20,285</u>	<u>\$ 1,818</u>	<u>18,467</u>
	<u>\$ 710,033</u>			<u>\$ 483,437</u>

Note: Arising from Initial Application of IFRS 16.

**STATEMENT 9****TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF OTHER FINANCIAL ASSETS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<b>Bank Name</b>	<b>Interest Rates (%)</b>	<b>Period</b>	<b>Amount</b>	<b>Note</b>
<b>Current</b>				
BNP - Time deposit	0.25	2019.05.29~2020.05.29	\$ 130,000	Note 2
Bank of Taiwan - Demand deposits	-	-	884	Note 1
			<u>\$ 130,884</u>	
<b>Noncurrent</b>				
HSBC - Demand deposits	-	-	\$ 71,000	Note 2
Bank of Taiwan - Time deposit	1.035	2019.07.01~2020.07.01	4,000	Note 3
Bank of Taiwan - Time deposit	1.035	2019.07.02~2020.07.02	4,068	Note 3
			<u>\$ 79,068</u>	

Note 1: Deposit due to government subsidy of RD projects.

Note 2: Deposit due to bank guarantee for oversea subsidiary, Anger.

Note 3: Deposit due to lease of land.

## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2019

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

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral	Note
Unsecured loans						
First Commercial Bank	2019.10.25~2020.01.22	1.02	\$ 130,000	\$ 500,000	None	-
Chang Hwa Bank	2019.12.31~2020.01.08	1.07	200,000	200,000	None	-
Land Bank of Taiwan	2019.12.30~2020.03.30	1.00	200,000	200,000	None	-
Mega Bank	2019.10.28~2020.05.02	1.00	130,000	139,940	None	Loan Commitment:NT\$50,000 thousand and US\$3,000 thousand
HSBC Bank	2019.01.18~2020.01.21	2.67	59,960	209,860	None	Loan Commitment: US\$7,000 thousand
DBS Bank	2019.02.26~2020.05.07	2.39~2.42	179,880	179,880	None	Loan Commitment US\$6,000 thousand
Bank of Taiwan	2019.11.14~2020.03.25	0.95	300,000	300,000	None	-
E. Sun Bank	Note	2.61	711	200,000	None	-
Shin Kong Bank	2019.12.20~2020.03.19	1.00	100,000	100,000	None	-
Taishin International Bank	2019.12.27~2020.01.21	1.00	200,000	250,000	None	-
Shanghai Commercial & Savings Bank	Note	2.18	6,245	200,000	None	-
			<u>\$ 1,506,796</u>			

Note: No expiry date due to the loan nature was export bill loans.

**TONGTAI MACHINE & TOOL CO., LTD**

**STATEMENT OF CONTRACT LIABILITIES - CURRENT  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Customer Name</b>	<b>Amount</b>
Asia Pacific Elite Corp.	\$ 46,292
Company C	45,144
Company E	41,294
Others (Note)	<u>244,961</u>
	<u>\$ 377,691</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**TONGTAI MACHINE & TOOL CO., LTD**

**STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<u>Vendor Name</u>	<u>Amount</u>
Non-related Parties	
ING CHYUAN INDUSTRIAL CO., LTD.	\$ 4,680
HUNG CHIH LIMITED CO.	4,535
OTSUKA INFORMATION TECHNOLOGY CORP.	3,528
WEI SHI DENG TECHNOLOGY CO., LTD	3,433
RUI ZHAN TECHNOLOGY CORP.	3,360
KINMAX TECHNOLOGY INC.	1,727
Others (Note)	<u>12,540</u>
	<u>\$ 33,803</u>
Related Parties	
San Shin Co., Ltd.	<u>\$ 38</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

<u>Vendor Name</u>	<u>Amount</u>
Non-related Parties	
JEA SHENG INDUSTRY CO., LTD.	\$ 34,388
ING CHYUAN INDUSTRIAL CO., LTD.	30,858
Others (Note)	<u>566,262</u>
	<u>\$ 631,508</u>
Related Parties	
Tongfong Auto Tech Co., Ltd.	\$ 54,079
Shiang Jen Co., Ltd.	49,330
San Shin Co., Ltd.	23,348
Tong-Yeh Precision Co., Ltd.	11,183
Others (Note)	<u>16,193</u>
	<u>\$ 154,133</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2019

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

Bank Name	Contract Period and Repayment Method	Interest Rates (%)	Balance, December 31, 2019			Collateral	Note
			Current	Over 1 Year	Total		
Unsecured Loans							
Export-Import Bank of the Republic of China	Repayable in September 2020	1.00	\$ 250,000	\$ -	\$ 250,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2019 to September 2022	1.26	55,000	110,000	165,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through January 2018 to July 2021	1.15	35,000	35,000	70,000	None	
Export-Import Bank of the Republic of China	Repayable semiannually through March 2021 to September 2024	1.26	-	240,000	240,000	None	
O-Bank	Repayable quarterly through February 2019 to November 2020	1.39	100,000	-	100,000	None	
KGI Bank	Repayable in June 2021	1.05	-	200,000	200,000	None	
			<u>440,000</u>	<u>585,000</u>	<u>1,025,000</u>		
Mortgage loans							
Bank of Taiwan	Repayable in June 2021	1.38	-	700,000	700,000	Note	
O-Bank	Repayable semiannually through April 2020 to October 2023	1.45	49,500	148,500	198,000	Note	
O-Bank	Repayable in July 2023	1.37	-	200,000	200,000	Note	
			<u>49,500</u>	<u>1,048,500</u>	<u>1,098,000</u>		
			<u>\$ 489,500</u>	<u>\$ 1,633,500</u>	<u>\$ 2,123,000</u>		

Note: Refer to Note 32 for further information.

**TONGTAI MACHINE & TOOL CO., LTD****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Item</u>	<u>Object</u>	<u>Period</u>	<u>Discount Rates (%)</u>	<u>Amount</u>
Land	Note	2007.06~ 2039.06	2.16~2.48	\$ 481,381
Buildings	Lease of labs and dorms	2017.10~ 2021.09	1.42	553
Transportation Equipment	Lease of company cars	2017.08~ 2022.11	1.05~1.42	<u>6,113</u>
				488,047
Less: Current portion				<u>14,717</u>
Lease liabilities-noncurrent				<u>\$ 473,330</u>

Note: Refer to Note 14 for lease content.

**TONGTAI MACHINE & TOOL CO., LTD**
**STATEMENT OF OPERATING REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

<u>Item</u>	<u>Quantities (Number)</u>	<u>Amount</u>
Total Operating Revenues		
Revenue from sale of goods		
Machining Center	796	\$ 2,394,904
PCB Processing Machine	460	1,338,056
CNC Lathe	298	915,504
Others (Note)	50	<u>300,536</u>
		4,949,000
Revenue from maintenance service		<u>508,772</u>
		<u>5,457,772</u>
Sales return and allowance		
Sales return	( 3 )	( 26,751 )
Sales allowance		( <u>2,603</u> )
		( <u>29,354</u> )
Maintenance return and allowance		
Maintenance return		( 541 )
Maintenance allowance		( <u>5,349</u> )
		( <u>5,890</u> )
		<u>\$ 5,422,528</u>

Note: The amount of each item included in others does not exceed 10% of the account balance.

## TONGTAI MACHINE &amp; TOOL CO., LTD

**STATEMENT OF OPERATING COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 1,147,565
Raw material purchased	2,058,669
Raw materials, end of year	( 940,413 )
Transfer in from work-in-progress	90,982
Sale of raw materials	( 106,458 )
Others	( 1,715 )
Raw materials used	<u>2,248,630</u>
Supplies, beginning of year	155,619
Supplies purchased	554,444
Supplies, end of year	( 156,758 )
Transfer in from work-in-progress	391,997
Sale of supplies	( 33,665 )
Others	<u>322</u>
Supplies used	<u>911,959</u>
Direct labor	<u>286,823</u>
Manufacturing expenses	<u>457,499</u>
Manufacturing cost	3,904,911
Work in progress, beginning of year	1,661,355
Work in progress, end of year	( 1,148,420 )
Transfer in from finished goods	83,287
Transfer out to raw materials	( 90,982 )
Transfer out to supplies	( 391,997 )
Transfer out to expense	( 248,029 )
Total manufacturing cost	3,770,125
Finished goods, beginning of year	842,559
Finished goods purchased	91,137
Finished goods, end of year	( 661,392 )
Transfer out to work-in-progress	( 83,287 )
Total production cost	3,959,142
Sale of raw materials and supplies	<u>140,123</u>
Cost of goods sold	4,099,265
Warranties cost	97,163
Maintenance and repair cost	356,054
Others	( 144,486 )
Operating costs	<u>\$ 4,407,996</u>

Note: The inventories were stated as net carrying value with a deduction of allowance for loss on inventory value decline of inventories

## TONGTAI MACHINE &amp; TOOL CO., LTD

STATEMENT OF OPERATING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Expected credit loss	Total
Payroll expense (including pension and remuneration of director)	\$ 68,787	\$ 55,029	\$ -	\$ -	\$ 123,816
After sales service expense	77,155	-	-	-	77,155
Commission	93,187	-	-	-	93,187
Import/export expense	51,103	-	-	-	51,103
Advertisement expense	53,910	38	-	-	53,948
Sundry purchases expense	39,693	1,585	-	-	41,278
Entertainment expense	44,391	457	-	-	44,848
Depreciation	12,267	52,337	-	-	64,604
Traveling expense	27,222	4,395	1	-	31,618
Contracted research expense	-	-	15,542	-	15,542
Repairs and maintenance expense	235	11,242	-	-	11,477
Impairment loss for bad debt	-	-	-	39,339	39,339
Others	67,431	97,608	119,580	-	284,619
	<u>\$ 535,381</u>	<u>\$ 222,691</u>	<u>\$ 135,123</u>	<u>\$ 39,339</u>	<u>\$ 932,534</u>

## TONGTAI MACHINE &amp; TOOL CO., LTD

**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	For the Year Ended December 31, 2019				For the Year Ended December 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Others	Total
Employee benefits								
Salaries	\$ 370,944	\$ 114,721	\$ -	\$ 485,665	\$ 419,124	\$ 153,964	\$ -	\$ 573,088
Labor and health insurance	43,354	12,482	-	55,836	44,872	12,340	-	57,212
Post-employment benefits	22,954	6,591	-	29,545	24,534	6,871	-	31,405
Remuneration of directors	-	2,504	-	2,504	-	6,702	-	6,702
Others	18,859	5,390	-	24,249	17,611	5,382	-	22,993
	<u>\$ 456,111</u>	<u>\$ 141,688</u>	<u>\$ -</u>	<u>\$ 597,799</u>	<u>\$ 506,141</u>	<u>\$ 185,259</u>	<u>\$ -</u>	<u>\$ 691,400</u>
Depreciation	\$ 81,617	\$ 64,604	\$ 8,263	\$ 154,484	\$ 84,966	\$ 36,146	\$ 8,106	\$ 129,218
Amortization	26,101	10,540	-	36,641	23,418	10,371	-	33,789

Note 1: As of December 31, 2019 and 2018, the Company had 847 and 898 employees, respectively. Among them 10 directors did not serve concurrently as employees.

Note 2: Average employee benefits for the years ended December 31, 2019 and 2018 were NT\$711 thousand and NT\$ 771 thousand, respectively.

Note 3: Average salaries for the years ended December 31, 2019 and 2018 were NT\$580 thousand and NT\$645 thousand, respectively.

Note 4: Changes of adjustments of average salaries was (10%).