Tongtai Machine & Tool Co., Ltd. and Subsidiaries

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

EPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Tongtai Machine & Tool Co., Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tongtai Machine & Tool Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Tongtai Machine & Tool Co., Ltd.

By

Jui-Hsiung Yen
Chairman

March 25, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Tongtai Machine & Tool Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the 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 Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits of the consolidated 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 consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries 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 consolidated financial statements, the Company and its subsidiaries are covered by the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and 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 consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in the Company and its subsidiaries' consolidated 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 (p) to the consolidated 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 and its subsidiaries. As of December 31, 2019, inventory amounted to NT$5,607,161 thousand, representing 33% of the Company and its subsidiaries' 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 (g), 5 (b) and 10 to the consolidated 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 consolidated 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$6,288,624 thousand and NT$6,245,177 thousand, representing 37% and 35% of the Company and its subsidiaries' total assets as of December 31, 2019 and 2018, respectively, and the total revenue from such subsidiaries amounted to NT$3,890,827 thousand and NT$3,412,645 thousand, representing 35% and 29% of the Company and its subsidiaries' total revenue for the years ended December 31, 2019 and 2018, respectively.

We have also audited the standalone financial statements of Tongtai Machine & Tool Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with emphasis of matter and other matter paragraphs.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and its subsidiaries' 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

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

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

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

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

	December 31, 2019		December 31, 2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,089,689	6	$ 1,072,564	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	18,456	-	53,615	-
Notes receivable, net (Notes 5 and 9)	187,605	1	300,630	2
Accounts receivable, net (Notes 4, 5 and 9)	3,687,639	22	3,977,793	22
Accounts receivable - related parties (Notes 4, 5, 9 and 32)	5,503	-	9,201	-
Other receivables (Note 32)	82,851	1	158,607	1
Current tax assets (Note 26)	19,811	-	8,413	-
Inventories (Notes 4, 5 and 10)	5,607,161	33	6,773,403	37
Other financial assets - current (Notes 13 and 33)	799,366	5	807,461	4
Other current assets	350,438	2	297,238	2
Total current assets	11,848,519	70	13,458,925	74
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	180,264	1	171,071	1
Investments accounted for using the equity method (Notes 4 and 12)	19,505	-	21,658	-
Property, plant and equipment (Notes 4, 14 and 33)	3,341,106	20	3,492,656	19
Right-of-use assets (Notes 3, 4 and 15)	644,667	4	-	-
Investment properties (Notes 4, 16 and 33)	236,501	1	251,556	1
Intangible assets (Notes 4 and 17)	89,775	1	115,316	1
Deferred tax assets (Note 26)	362,302	2	300,011	2
Refundable deposits	33,693	-	25,057	-
Long-term notes and accounts receivable (Note 9)	8,546	-	10,654	-
Net defined benefit assets (Notes 4 and 22)	1,465	-	1,408	-
Other financial assets - non-current (Notes 13 and 33)	99,930	1	166,116	1
Other non-current assets (Note 9)	55,579	-	72,681	1
Total non-current assets	5,073,333	30	4,628,184	26
TOTAL	$ 16,921,852	100	$ 18,087,109	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 33)	$ 2,999,533	18	$ 3,252,490	18
Short-term bills payable (Note 18)	241,682	1	329,907	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	8,257	-	520	-
Contract liabilities - current (Note 24)	1,001,236	6	1,620,772	9
Notes payable (Notes 19 and 32)	118,877	1	246,971	1
Accounts payable (Note 19)	1,474,197	9	2,003,671	11
Accounts payable - related parties (Notes 19 and 32)	73,348	-	145,583	1
Other payables (Notes 20 and 32)	721,381	4	776,030	4
Current tax liabilities (Note 26)	34,732	-	74,789	-
Provisions - current (Notes 4 and 21)	111,884	1	95,854	1
Lease liabilities - current (Notes 3, 4 and 15)	39,812	-	-	-
Current portion of long-term bank borrowings (Notes 18 and 33)	1,041,152	6	1,053,552	6
Other current liabilities	87,543	1	61,405	-
Total current liabilities	7,953,634	47	9,661,544	53
NON-CURRENT LIABILITIES				
Long-term bank borrowings (Notes 18 and 33)	2,214,265	13	2,153,170	12
Provisions - non-current (Notes 4 and 21)	-	-	3,332	-
Deferred tax liabilities (Note 26)	69,624	-	68,698	-
Lease liabilities -noncurrent (Notes 3, 4 and 15)	600,817	4	-	-
Net defined benefit liabilities (Notes 4 and 22)	89,674	1	78,630	1
Guarantee deposits received	1,791	-	378	-
Total non-current liabilities	2,976,171	18	2,304,208	13
Total liabilities	10,929,805	65	11,965,752	66
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23 and 28)				
Ordinary shares	2,548,265	15	2,548,265	14
Capital surplus	1,190,258	7	1,201,104	7
Retained earnings				
Legal reserve	725,249	4	694,026	4
Special reserve	133,443	1	89,749	-
Unappropriated earnings	775,619	5	887,670	5
Total retained earnings	1,634,311	10	1,671,445	9
Other equity	(88,270)	(1)	(43,694)	-
Total equity attributable to owners of the Company	5,284,564	31	5,377,120	30
NON-CONTROLLING INTERESTS	707,483	4	744,237	4
Total equity	5,992,047	35	6,121,357	34
TOTAL	$ 16,921,852	100	$ 18,087,109	100

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

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

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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, 24 and 32)	$ 11,000,093	100	$ 11,625,277	100
OPERATING COSTS (Notes 10, 22, 25 and 32)	8,524,115	78	8,909,759	76
GROSS PROFIT	2,475,978	22	2,715,518	24
OPERATING EXPENSES (Notes 9, 22, 25 and 32)				
Selling and marketing expenses	1,041,934	10	1,002,983	9
General and administrative expenses	695,206	6	797,345	7
Research and development expenses	325,214	3	470,295	4
Expected credit loss	142,983	1	27,332	-
Total operating expenses	2,205,337	20	2,297,955	20
PROFIT FROM OPERATIONS	270,641	2	417,563	4
NON-OPERATING INCOME AND EXPENSES (Notes 12, 25 and 32)				
Other income	147,485	1	166,157	1
Other gains and losses	(152,442)	(1)	19,499	-
Finance costs	(130,619)	(1)	(123,495)	(1)
Share of loss of associates	(2,153)	-	(2,371)	-
Total non-operating income and expenses	(137,729)	(1)	59,790	-
PROFIT BEFORE INCOME TAX	132,912	1	477,353	4
INCOME TAX EXPENSE (Notes 4 and 26)	43,292	-	80,054	1
NET PROFIT FOR THE YEAR	89,620	1	397,299	3
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(16,083)	-	(7,803)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	9,193	-	11,722	-

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
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	(67,293)	(1)	(28,302)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	13,384	-	7,957	-
Other comprehensive loss for the year, net of income tax	(61,362)	(1)	(10,005)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 28,258	-	$ 387,294	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 58,947	1	$ 312,225	2
Non-controlling interests	30,673	-	85,074	1
	$ 89,620	1	$ 397,299	3
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (2,055)	-	$ 302,714	2
Non-controlling interests	30,313	-	84,580	1
	$ 28,258	-	$ 387,294	3
EARNINGS PER SHARE (Note 27)				
Basic	$ 0.23		$ 1.23	
Diluted	$ 0.23		$ 1.22	

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

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

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
			Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	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	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total 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	$ 677,244	$ 5,747,505
Effect of retrospective application	-	-	-	-	32,905	-	(68,333)	28,727	(39,606)	(6,701)	80	(6,621)
BALANCE AT JANUARY 1, 2018	2,548,265	1,190,258	694,026	89,749	576,302	(63,767)	-	28,727	(35,040)	5,063,560	677,324	5,740,884
Net profit for the year ended December 31, 2018	-	-	-	-	312,225	-	-	-	-	312,225	85,074	397,299
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(857)	(20,376)	-	11,722	(8,654)	(9,511)	(494)	(10,005)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	311,368	(20,376)	-	11,722	(8,654)	302,714	84,580	387,294
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 28)	-	9,336	-	-	-	-	-	-	-	9,336	-	9,336
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	1,510	-	-	-	-	-	-	-	1,510	-	1,510
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	(17,667)	(17,667)
BALANCE AT DECEMBER 31, 2018	2,548,265	1,201,104	694,026	89,749	887,670	(84,143)	-	40,449	(43,694)	5,377,120	744,237	6,121,357
Appropriation of 2018 earnings (Note 23)												
Legal reserve	-	-	31,223	-	(31,223)	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	43,694	(43,694)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(76,448)	-	-	-	-	(76,448)	-	(76,448)
	-	-	31,223	43,694	(151,365)	-	-	-	-	(76,448)	-	(76,448)
Net profit for the year ended December 31, 2019	-	-	-	-	58,947	-	-	-	-	58,947	30,673	89,620
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)	(360)	(61,362)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	42,521	(53,769)	-	9,193	(44,576)	(2,055)	30,313	28,258
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 28)	-	(10,622)	-	-	(3,207)	-	-	-	-	(13,829)	-	(13,829)
Changes in percentage of ownership interests in subsidiaries (Note 28)	-	(224)	-	-	-	-	-	-	-	(224)	-	(224)
Adjustment of non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	(67,067)	(67,067)
BALANCE AT DECEMBER 31, 2019	$ 2,548,265	$ 1,190,258	$ 725,249	$ 133,443	$ 775,619	$ (137,912)	$ -	$ 49,642	$ (88,270)	$ 5,284,564	$ 707,483	$ 5,992,047

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

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

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 132,912	$ 477,353
Adjustments for:		
Depreciation expense	323,622	261,081
Amortization expense	59,523	58,893
Expected credit loss	142,983	27,332
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	365	(54,899)
Finance costs	130,619	123,495
Interest income	(33,707)	(38,849)
Dividend income	(8,642)	(1,393)
Share of loss of associates	2,153	2,371
Gain on disposal of property, plant and equipment	(823)	(7,837)
Impairment loss recognized on nonfinancial assets	162,503	64,798
Recognition of provisions	181,417	145,054
Others	63	3,182
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	42,531	21,923
Notes receivable and long-term notes and accounts receivable	115,269	233,134
Accounts receivable	151,192	(125,355)
Accounts receivable - related parties	3,698	4,444
Other receivables	74,105	(35,777)
Inventories	1,013,314	(714,336)
Other current assets	(55,734)	(4,945)
Contract liabilities	(619,536)	192,390
Notes payable	(128,094)	12,752
Accounts payable	(529,474)	(465,848)
Accounts payable - related parties	(72,235)	15,627
Other payables	(46,325)	(62,938)
Provisions	(166,830)	(167,801)
Advance received	-	(368)
Other current liabilities	26,138	32,681
Net defined benefit liabilities	(5,096)	(3,322)
Other non-current liabilities	-	(1,970)
Cash generated from (used in) operations	895,911	(9,128)
Interest received	35,358	36,415
Dividend received	8,642	1,393
Interest paid	(129,550)	(122,490)
Income taxes paid	(143,243)	(115,930)
Net cash generated from (used in) operating activities	667,118	(209,740)

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	$ -	$ (10,000)
Acquisition of property, plant and equipment	(149,711)	(101,996)
Proceeds from disposal of property, plant and equipment	4,208	16,409
Decrease (increase) in refundable deposits	(8,636)	4,808
Acquisition of intangible assets	(6,446)	(28,406)
Acquisition of investment properties	-	(3,788)
Decrease (increase) in other financial assets	74,281	(124,657)
Increase in other non-current assets	(20,138)	(33,062)
Net cash used in investing activities	(106,442)	(280,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	3,321,818	4,358,091
Repayments of short-term borrowings	(3,563,488)	(4,356,966)
Decrease in short-term bills payable	(88,225)	(89,983)
Proceeds from long-term bank borrowings	1,700,433	1,520,000
Repayments of long-term bank borrowings	(1,625,202)	(1,195,247)
Proceeds from (refund of) guarantee deposits received	1,413	(9)
Repayment of principle of lease liabilities	(49,051)	-
Dividends paid	(76,448)	-
Acquisition of percentage of ownership interests in subsidiaries	(17,286)	-
Decrease in non-controlling interests	(67,291)	(4,110)
Net cash generated from (used in) financing activities	(463,327)	231,776
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(80,224)	(10,702)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,125	(269,358)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,072,564	1,341,922
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,089,689	$ 1,072,564

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

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

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 consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 and its subsidiaries' 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 and its subsidiaries elect 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 and its subsidiaries as lessee

The Company and its subsidiaries recognize right-of-use assets and lease liabilities for all leases on the consolidated 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 consolidated statements of comprehensive income, the Company and its subsidiaries present 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 consolidated 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. Prepaid lease payments for land use rights in China were recognized as prepayments for leases (under noncurrent assets). Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Company and its subsidiaries elect 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 and its subsidiaries apply IAS 36 to all right-of-use assets.

The Company and its subsidiaries also apply the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group 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 2.36%. 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	$ 548,167
Less: Recognition exemption for short-term leases and leases of low-value assets	12,291
Undiscounted amounts on January 1, 2019	$ 535,876
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 473,598
Add: Adjustments as a result of a different treatment of extension options	408,046
Lease liabilities recognized on January 1, 2019	$ 881,644

3) The Company and its subsidiaries as lessor

The Company and its subsidiaries do not make any adjustments for leases in which it is a lessor, and they account 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:

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 895,444	$ 895,444
Prepayment	255,581	(2,534)	253,047
Other noncurrent assets	72,681	(11,266)	61,415
Total effect on assets	$ 328,262	$ 881,644	$ 1,209,906
Lease liabilities - noncurrent	$ -	$ 46,531	$ 46,531
Lease liabilities - current	-	835,113	835,113
Total effect on liabilities	$ -	$ 881,644	$ 881,644

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

New IFRSs	Effective Date Announced by IASB
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 consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries’ 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

New IFRSs	Effective Date Announced by IASB (Note)
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 consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries' 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of Preparation

The consolidated financial statements have 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.

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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-Company and its subsidiaries transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Note 11 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquired entity, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company and its subsidiaries in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the balance sheet date in which the combination occurs, the Company and its subsidiaries report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (i.e., 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 consolidated 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.

g. Inventories

Inventories consisting of raw materials, supplies, work-in-progress, finished goods and merchandise 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, finished goods and merchandise are recorded at cost by the specific identification method.

h. Investments in associates

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

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

Any excess of the cost of acquisition over the Company and its subsidiaries' 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 and its subsidiaries subscribe 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 and its subsidiaries' proportionate interest in the associate. The Company and its subsidiaries 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 and its subsidiaries' 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 and its subsidiaries' share of losses of an associate equal or exceed 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 and its subsidiaries' net investment in the associate), the Company and its subsidiaries will discontinue recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have 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 subsidiaries and its associates are recognized in the consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company and its subsidiaries.

i. 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.

j. 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.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit should be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. 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.

2) Internally generated intangible assets - research and development expenditures

Expenditure on research activities is recognized as expense in the period in which it is incurred.

An internal research and development project that has reached its development phase may be recognized as an internally-generated intangible asset if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized as cost of internally generated intangible asset is the total expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, it is measured on the same basis as intangible asset acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets acquired separately.

4) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Company and its subsidiaries review the carrying amounts of tangible and intangible assets 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 and its subsidiaries 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.

n. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become 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 31.

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 and cash equivalents, 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.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company and its subsidiaries 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 and its subsidiaries' 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 and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables).

The Company and its subsidiaries always recognize lifetime Expected Credit Losses (ECLs) for trade receivables. For all other financial instruments, the Company and its subsidiaries recognize 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 and its subsidiaries measure 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 and its subsidiaries determine that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company and its subsidiaries):

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 and its subsidiaries have 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 and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts, swap contracts and foreign exchange forward 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.

o. 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 and its subsidiaries' best estimate of the expenditure required to settle the obligations.

p. Revenue recognition

The Company and its subsidiaries identify 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.

q. Leasing

<u>2019</u>

At the inception of a contract, the Company and its subsidiaries assess whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company and its subsidiaries allocate 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 and its subsidiaries 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 and its subsidiaries as lessee

The Company and its subsidiaries recognize 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 consolidated 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 and its subsidiaries use 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 and its subsidiaries remeasure 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 consolidated 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.

<u>2018</u>

The Company and its subsidiaries are 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.

r. 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 (assets) represent the actual deficit (surplus) in the Company and its subsidiaries' defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. 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, unused loss carry forward 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 and its subsidiaries' 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 and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' 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 and its subsidiaries use 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 AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 6,303	$ 5,965
Checking accounts and demand deposits	1,083,386	890,268
Cash equivalents		
Time deposits with original maturities of less than three months	-	98,288
Bonds with repurchase agreements	-	78,043
	$ 1,089,689	$ 1,072,564

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Cross-currency swap contracts	$ -	$ 5,476
Swap contracts	-	1,716
Foreign exchange forward contracts	-	12
Non-derivative financial assets		
CNY floating rate financial products	18,456	46,411
	$ 18,456	$ 53,615
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts	$ 6,357	$ 499
Swap contracts	1,900	21
	$ 8,257	$ 520

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
December 31, 2019			
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
December 31, 2018			
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 and foreign exchange forward contracts not accounted for by hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2019			
Swap	CNY/NTD	2020.02-2020.06	CNY39,000/NTD168,123

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2018			
Swap	CNY/NTD	2019.01-2019.08	CNY38,800/NTD170,176
Foreign exchange forward	USD/MRY	2019.04	USD57/MRY239

(Concluded)

The Company and its subsidiaries entered into cross-currency swap contracts, swap contracts and foreign exchange forward 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 and its subsidiaries recognized gain (loss) on cross-currency swap contracts, swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT$(1,493) thousand and NT$52,535 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the years ended December 31, 2019 and 2018, the subsidiaries entered into CNY floating rate financial products and recognized gain of NT$1,128 thousand and NT$2,364 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

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

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

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

	December 31	
	2019	2018
Notes receivable (operating)		
At amortized cost		
Gross carrying amount	$ 197,456	$ 311,422
Less: Unrealized interest revenue	9,851	10,792
	$ 187,605	$ 300,630

(Continued)

	December 31	
	2019	2018
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 4,057,385	$ 4,238,412
Less: Allowance for impairment loss	369,746	260,619
	$ 3,687,639	$ 3,977,793
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	$ 5,503	$ 9,201
Long-term notes and accounts receivable (operating)		
At amortized cost		
Gross carrying amount	$ 14,076	$ 16,320
Less : Allowance for impairment loss	5,530	5,666
	$ 8,546	$ 10,654
Overdue receivable (included in other noncurrent assets)		
At amortized cost		
Gross carrying amount	$ 81,442	$ 76,867
Less : Allowance for impairment loss	81,442	76,867
	$ -	$ -

(Concluded)

Accounts receivable

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make 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 and its subsidiaries have 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 and its subsidiaries review 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 and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply 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 and its subsidiaries' 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 and its subsidiaries' different customer base.

The Company and its subsidiaries write 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 and its subsidiaries continue 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 and its subsidiaries' provision matrix.

December 31, 2019

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	$ 2,463,905	$ 622,330	$ 252,863	$ 137,722	$ 101,781	$ 261,860	$ 180,451	$ 325,099	$ 4,346,011
Loss allowance (Lifetime ECL)	(14,580)	(42,879)	(17,741)	(14,040)	(13,011)	(71,681)	(108,634)	(174,152)	(456,718)
Amortized cost	$ 2,449,325	$ 579,451	$ 235,122	$ 123,682	$ 88,770	$ 190,179	$ 71,817	$ 150,947	$ 3,889,293

December 31, 2018

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	366 to 720 Days	Over 721 Days	Individual Identification	Total
Gross carrying amount	$ 3,325,338	$ 498,711	$ 175,110	$ 102,399	$ 67,159	$ 183,107	$ 178,387	$ 111,219	$ 4,641,430
Loss allowance (Lifetime ECL)	(32,219)	(33,932)	(12,198)	(9,716)	(5,508)	(49,638)	(88,722)	(111,219)	(343,152)
Amortized cost	$ 3,293,119	$ 464,779	$ 162,912	$ 92,683	$ 61,651	$ 133,469	$ 89,665	$ -	$ 4,298,278

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 343,152	$ 325,889
Recognition	142,983	27,332
Written off	(25,260)	(8,959)
Effects of foreign currency exchange differences	(4,157)	(1,110)
Balance at December 31	$ 456,718	$ 343,152

10. INVENTORIES

	December 31	
	2019	**2018**
Raw materials	$ 1,969,284	$ 2,321,039
Supplies	191,607	192,600
Work-in-progress	2,525,369	3,247,082
Finished goods	897,136	915,875
Merchandise	16,444	58,306
Inventory in transit	7,321	38,501
	$ 5,607,161	$ 6,773,403

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT$7,783,141 thousand and NT$8,148,384 thousand, respectively, which included write-downs of inventories and loss on idle capacity as follows.

	For the Year Ended December 31	
	2019	2018
Write-downs of inventories	$ 147,116	$ 48,557
Loss on idle capacity	15,387	16,241

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership		
Investor	Investee	Nature of Activities	December 31, 2019	December 31, 2018	Remark
Tongtai Machine & Tool Co., Ltd.	Union Top Industrial (Samoa) Limited (Union Top)	General investment	100	100	
	Honor Seiki Co., Ltd. (Honor Seiki)	Sales and manufacturing of equipment	51	51	
	Quick-Tech Machinery Co., Ltd. (Quick-Tech)	Sales and manufacturing of equipment	52	52	
	Chin-Jig Technology Co., Ltd. (Chin-Jig)	Sales of mold and equipment	70	70	
	Tongfong Auto Tech Co., Ltd. (Tongfong)	Sales of electric automation equipment	99	99	
	Asia Pacific Elite Corp. (APEC)	Sales and manufacturing of equipment	99	99	
	Tongtai Europe B.V. (TTE)	Sales of merchandise	100	100	
	Tong-Yeh Precision Co., Ltd. (Tong-Yeh)	Manufacturing and processing of metal part	60	63	Note 1
	Tong-Tai Seiki USA, Inc. (TSU)	Sales of equipment	100	100	
	Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM)	Sales and manufacturing of equipment	100	100	
	Tong Tai Machinery Co., Ltd. (TTM)	Sales of customized machine	100	100	
	Tongtai Seiki Vietnam Co., Ltd. (TTVN)	Sales of customized machine	100	100	
	Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS)	Sales of customized machine	52	52	
	Tongtai Machine & Tool Japan Co., Ltd. (TTJP)	Sales and manufacturing of equipment	100	100	
	Process Conception Ingenierie-Societe de Construction D’equipments, De Mecanisations Et De Machines (PCI)	Sales and maintenance of machine tools	100	100	
	Tongan GmbH (Tongan)	General investment	100	100	
	Tongtai Mexico S.A.DE C.V (TTGMX)	Sales and maintenance of machine tools	100	-	Note 2
Union Top	Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu)	Manufacturing of digital control machine and system	100	100	Important subsidiary
	Shanghai Tong-Tai-Shin Trading Co., Ltd. (Shanghai Tong-Tai-Shin)	International trade	100	100	
	Tong-Yu Machine Tool (Shanghai) Co., Ltd. (Shanghai Tong-Yu)	Sales and maintenance of machine tools	100	100	
	Great Pursuit Limited	General investment	55	55	
Great Pursuit Limited	Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. (Hao-Tern-Shin)	Sales and manufacturing of printed circuit board	100	100	
Honor Seiki	Honor Seiki International Co., Ltd. (HSI)	Sales of machine tools	-	100	Note 3
	Honor Seiki USA Corporation (HSU)	Sales of machine tools	-	100	Note 3
Chin-Jig	Time Trade International Limited (Time Trade)	General investment	100	100	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31, 2019	Proportion of Ownership December 31, 2018	Remark
Time Trade	Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig)	Sales and manufacturing of mold and equipment	100	100	
TTE	Tongtai East Europe S.R.L. (TEE)	Sales of merchandise	-	100	Note 4
PCI	TTGroup France (TTGF)	Sales of merchandise and general investment	100	100	
Tongan	Mbi-group Beteiligung GmbH (MBI)	General investment	100	99.97	Note 5
MBI	HPC Producktions GmbH (HPC)	Sales, manufacturing and maintenance of machine tools	100	100	
	Anger Machining GmbH (Anger)	Sales, manufacturing and maintenance of machine tools	100	100	
Anger	Anger Machining Inc. (Anger - US)	Sales and maintenance of machine tools	100	100	
	Anger Service Deutschland GmbH (Anger - DE)	Sales and maintenance of machine tools	100	100	
	Machining Japan K.K. (Anger - JP)	Sales and maintenance of machine tools	-	-	Note 6
TTJP	SKTD Co., Ltd. (SKTD)	Design and development of machine tools	98.73	98.73	

(Concluded)

Note 1: In September 2019, the Company subscribed for additional new shares at a percentage different from its existing ownership percentage. (Refer to Note 28)

Note 2: The Company was established in February 2019.

Note 3: The subsidiaries HSI and HSU were liquidated in May and November 2019, respectively.

Note 4: The subsidiary TEE was liquidated in July 2019.

Note 5: In December 2019, the subsidiary Tongan acquired all of MBI’s shares from non-controlling interest. (Refer to Note 28)

Note 6: Anger - JP was disposed in April 2018.

b. Details of subsidiaries that have material non-controlling interests

Name of subsidiary	Percentage of Ownership and Voting Rights of Non-controlling Interests December 31 2019	Percentage of Ownership and Voting Rights of Non-controlling Interests December 31 2018
Honor Seiki	49%	49%

Name of subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2019	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2018	Accumulated, Non-controlling Interests December 31 2019	Accumulated, Non-controlling Interests December 31 2018
Honor Seiki	$ 55,871	$ 84,525	$ 602,994	$ 605,909

Honor Seiki’s financial information below represents amounts before intragroup eliminations.

	December 31	
	2019	2018
Current assets	$ 1,859,299	$ 2,308,580
Non-current assets	721,253	435,496
Current liabilities	(1,062,491)	(1,389,867)
Non-current liabilities	(280,720)	(110,887)
Equity	$ 1,237,341	$ 1,243,322
Equity attributable to		
Owner of Honor Seiki	$ 634,347	$ 637,413
Non-controlling interests of Honor Seiki	602,994	605,909
	$ 1,237,341	$ 1,243,322

	For the Year Ended December 31	
	2019	2018
Revenue	$ 1,286,542	$ 1,106,013
Profit for the year	$ 114,647	$ 173,446
Other comprehensive income for the year	427	(686)
Total comprehensive income for the year	$ 115,074	$ 172,760
Profit attributable to		
Owners of Honor Seiki	$ 58,776	$ 88,921
Non-controlling interests of Honor Seiki	55,871	84,525
	$ 114,647	$ 173,446
Total comprehensive income attributable to		
Owners of Honor Seiki	$ 58,995	$ 88,569
Non-controlling interests of Honor Seiki	56,079	84,191
	$ 115,074	$ 172,760
Net cash inflow (outflow) from		
Operating activities	$ 90,549	$ 287,502
Investing activities	(182,752)	(183,416)
Financing activities	(100,884)	(135,671)
Effect of exchange rate	-	88
Net cash outflow	$ (193,087)	$ (31,497)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Associates that are not individually material		
Cyber Laser Taiwan Co., Ltd.	$ 9,397	$ 10,971
Printin3d DigiTech Co., Ltd.	9,100	9,433
SOLIDCAMTAIWAN CO., LTD.	1,008	1,254
	$ 19,505	$ 21,658

	For the Year Ended December 31	
	2019	2018
The Company and its subsidiaries' share of		
Net loss for the year	$ (2,153)	$ (2,371)
Other comprehensive income	-	-
Total comprehensive income	$ (2,153)	$ (2,371)

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.

13. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Current		
Pledged deposits and time deposits	$ 790,419	$ 733,509
Restricted time deposits	7,063	3,556
Restricted deposits	1,884	70,396
	$ 799,366	$ 807,461
Non-current		
Pledged deposits and time deposits	$ 79,068	$ 143,471
Deposits for projects	20,862	22,645
	$ 99,930	$ 166,116

Refer to Note 33 for information relating to other financial assets pledged as collateral.

14. 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
Cost								
Balance at January 1, 2019	$ 929,998	$ 2,948,790	$ 1,192,233	$ 168,008	$ 192,228	$ 494,175	$ 3,876	$ 5,929,308
Additions	65	21,962	43,077	3,893	8,690	60,543	819	139,049
Disposals	-	(2,655)	(10,691)	(4,063)	(18,238)	(21,482)	-	(57,129)
Reclassifications	(19,791)	20,944	(4,704)	3,800	(4,529)	(8,575)	(1,906)	(14,761)
Effects of foreign currency exchange difference	(1,397)	(22,884)	(29,745)	(1,347)	(3,559)	(10,445)	(31)	(69,408)
Balance at December 31, 2019	908,875	2,966,157	1,190,170	170,291	174,592	514,216	2,758	5,927,059
Accumulated depreciation and impairment								
Balance at January 1, 2019	-	1,034,055	828,170	115,431	145,671	313,325	-	2,436,652
Depreciation	-	119,210	61,237	11,732	16,958	43,535	-	252,672
Disposals	-	(1,939)	(9,975)	(3,845)	(17,664)	(20,321)	-	(53,744)
Reclassifications	-	788	1,632	2,348	(4,318)	(7,188)	-	(6,738)
Effects of foreign currency exchange difference	-	(8,158)	(19,452)	(796)	(3,462)	(11,021)	-	(42,889)
Balance at December 31, 2019	-	1,143,956	861,612	124,870	137,185	318,330	-	2,585,953
Carrying amount at December 31, 2019	$ 908,875	$ 1,822,201	$ 328,558	$ 45,421	$ 37,407	$ 195,886	$ 2,758	$ 3,341,106

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
Cost								
Balance at January 1, 2018	$ 930,232	$ 2,944,390	$ 1,037,260	$ 165,718	$ 160,199	$ 452,952	$ 74,500	$ 5,765,251
Additions	-	14,399	21,779	7,521	17,428	72,774	(31,797)	102,104
Disposals	-	(1,833)	(3,639)	(7,801)	(6,990)	(15,692)	-	(35,955)
Reclassifications	-	(109)	145,879	3,111	23,272	(13,005)	(38,824)	120,324
Effects of foreign currency exchange difference	(234)	(8,057)	(9,046)	(541)	(1,681)	(2,854)	(3)	(22,416)
Balance at December 31, 2018	929,998	2,948,790	1,192,233	168,008	192,228	494,175	3,876	5,929,308
Accumulated depreciation and impairment								
Balance at January 1, 2018	-	914,089	793,927	105,247	121,385	287,796	-	2,222,444
Depreciation	-	124,802	50,014	13,510	17,259	43,449	-	249,034
Disposals	-	(1,499)	(2,943)	(5,755)	(6,990)	(9,831)	-	(27,018)
Reclassifications	-	(63)	(8,442)	2,754	15,519	(5,934)	-	3,834
Effects of foreign currency exchange difference	-	(3,274)	(4,386)	(325)	(1,502)	(2,155)	-	(11,642)
Balance at December 31, 2018	-	1,034,055	828,170	115,431	145,671	313,325	-	2,436,652
Carrying amount at December 31, 2018	$ 929,998	$ 1,914,735	$ 364,063	$ 52,577	$ 46,557	$ 180,850	$ 3,876	$ 3,492,656

The subsidiary Anger evaluated that the estimated future cash inflows from machinery and equipment had declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger has been recognized impairment loss in previous years. The accumulated impairment for the years ended December 31, 2019 and 2018 was NT$28,595 thousand and NT$29,966 thousand, respectively.

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

(Continued)

Machinery and equipment	2-13 years
Transportation equipment	2-15 years
Office equipment	3-10 years
Other equipment	2-15 years
	(Concluded)

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 487,426
Buildings	108,292
Machinery	25,048
Transportation equipment	23,901
	$ 644,667

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 26,946
Depreciation charge for right-of-use assets	
Land	$ 20,397
Buildings	9,692
Machinery	7,237
Transportation equipment	21,835
	$ 59,161

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 39,812
Non-current	$ 600,817

Range of discount rate for lease liabilities (%)was as follows:

	December 31, 2019
Land	2.16-2.48
Buildings	1.42-2.88
Machinery	1.45-2.88
Transportation equipment	1.05-5.65

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.

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life of 50 years until July 2059.

The subsidiary Shanghai Chin-Jig is leasing its location from non-related parties. The lease period will expire in December 2020.

The subsidiary PCI is leasing its location from non-related parties. The lease period will expire in December 2027.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	$ 30,394
Total cash outflow for leases	$ (96,612)

The Company and its subsidiaries lease certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company and its subsidiaries 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 and its subsidiaries' future minimum lease payments of non-cancellable material operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 46,967
Later than 1 year and not later than 5 years	167,268
Later than 5 years	251,900
	$ 466,135

16. INVESTMENT PROPERTIES

For the year ended December 31, 2019

	Land	Buildings	Total
Cost			
Balance at January 1, 2019	$ 81,840	$ 220,918	$ 302,758
Effects of foreign currency exchange differences	-	(3,873)	(3,873)
Balance at December 31, 2019	81,840	217,045	298,885
Accumulated depreciation			
Balance at January 1, 2019	-	51,202	51,202
Depreciation	-	11,789	11,789
Effects of foreign currency exchange differences	-	(607)	(607)
Balance at December 31, 2019	-	62,384	62,384
Carrying amount at December 31, 2019	$ 81,840	$ 154,661	$ 236,501

For the year ended December 31, 2018

	Land	Buildings	Total
Cost			
Balance at January 1, 2018	$ 81,840	$ 219,283	$ 301,123
Additions	-	3,788	3,788
Effects of foreign currency exchange differences	-	(2,153)	(2,153)
Balance at December 31, 2018	81,840	220,918	302,758
Accumulated depreciation			
Balance at January 1, 2018	-	39,384	39,384
Depreciation	-	12,047	12,047
Effects of foreign currency exchange differences	-	(229)	(229)
Balance at December 31, 2018	-	51,202	51,202
Carrying amount at December 31, 2018	$ 81,840	$ 169,716	$ 251,556

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:

	December 31, 2019
Year 1	$ 6,440
Year 2	6,038
Year 3	5,797

(Continued)

	December 31, 2019
Year 4	$ 5,400
Year 5	5,520
Year 6 onwards	55,080
	$ 84,275

(Concluded)

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

Buildings	
Main structure	10-35 years
Engineering system	10 years

The investment properties of the Company and its subsidiaries are located at Hunei District in Kaohsiung City and Shanghai City in China. The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuators were not involved in the fair value assessment. The fair value for the years ended December 31, 2019 and 2018 are NT$412,254 thousand.

All of the Company and its subsidiaries' investment properties are held under freehold interests.

Investment properties pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 33.

17. INTANGIBLE ASSETS

For the year ended December 31, 2019

	Computer Software	Goodwill	Patents	Others	Total
Cost					
Balance at January 1, 2019	$ 276,734	$ 13,731	$ 3,927	$ 8,507	$ 302,899
Additions	6,446	-	-	-	6,446
Disposals	(8,836)	-	-	(153)	(8,989)
Effects of foreign currency exchange differences	(14,576)	-	(179)	(76)	(14,831)
Balance at December 31, 2019	259,768	13,731	3,748	8,278	285,525
Accumulated amortization					
Balance at January 1, 2019	181,340	-	2,014	4,229	187,583
Amortization expenses	28,814	-	773	1,748	31,335
Disposals	(8,836)	-	-	(153)	(8,989)
Effects of foreign currency exchange differences	(13,983)	-	(115)	(81)	(14,179)
Balance at December 31, 2019	187,335	-	2,672	5,743	195,750
Carrying amount at December 31, 2019	$ 72,433	$ 13,731	$ 1,076	$ 2,535	$ 89,775

For the year ended December 31, 2018

	Computer Software	Goodwill	Patents	Others	Total
Cost					
Balance at January 1, 2018	$ 202,141	$ 13,731	$ 3,344	$ 8,214	$ 227,430
Additions	27,592	-	555	259	28,406
Disposals	(609)	-	-	(211)	(820)
Reclassification	42,313	-	-	(160)	42,153
Effects of foreign currency exchange differences	5,297	-	28	405	5,730
Balance at December 31, 2018	276,734	13,731	3,927	8,507	302,899
Accumulated amortization					
Balance at January 1, 2018	138,671	-	1,229	2,780	142,680
Amortization expenses	37,645	-	736	1,668	40,049
Disposals	(609)	-	-	(211)	(820)
Reclassification	150	-	-	(160)	(10)
Effects of foreign currency exchange differences	5,483	-	49	152	5,684
Balance at December 31, 2018	181,340	-	2,014	4,229	187,583
Carrying amount at December 31, 2018	$ 95,394	$ 13,731	$ 1,913	$ 4,278	$ 115,316

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Computer software	1-10 years
Patents	3-8 years
Others	5-8 years

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Bank loans	$ 2,264,437	$ 2,627,152
Secured borrowings	691,619	509,000
Letters of credit	43,477	116,338
	$ 2,999,533	$ 3,252,490
Annual interest rate (%)	0.85-5	0.85-4.79

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	$ 242,000	$ 330,000
Less: Unamortized discounts	318	93
	$ 241,682	$ 329,907
Annual interest rate (%)	1-1.24	0.63-1.28

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp. and China Bills Finance Corporation.

c. Long-term borrowings

	December 31	
	2019	2018
Bank loans		
Due on various dates through September 2024, interest at 0.99%-2.875% p.a. for 2019 and 2018	$ 1,554,163	$ 1,530,359
Mortgage loans		
Due on various dates through July 2039, interest at 1.198%-1.95% p.a. and 1.33%-1.95% p.a. for 2019 and 2018, respectively	1,701,254	1,676,363
	3,255,417	3,206,722
Less: Current portion	1,041,152	1,053,552
	$ 2,214,265	$ 2,153,170

1) The subsidiaries MBI and Anger entered into a loan agreement with CTBC Bank. The loan 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 subsidiaries Tongan, MBI and Anger should meet certain amount of net worth based on unreviewed financial statements for six months ended June 30. The subsidiaries Tongan and Anger should meet certain amount of net worth based on the audited annual financial statements. The bank will check compliance with the loan agreement every six months. If the subsidiaries do not meet the financial ratios and amounts, they should take remedial measures within a specified period; otherwise, the bank management could cancel or adjust the amounts, periods and interests in accordance with the agreement.

   The Company and the subsidiaries' consolidated financial statements breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

2) The subsidiaries MBI and Anger entered into a loan agreement with Taipei Fubon Bank. The loan agreement stipulated that specified financial ratios and amounts should be met based on the Company and the subsidiaries audited annual consolidated financial statements. The subsidiaries MBI and Anger should meet certain amount of net worth based on the audited annual consolidated financial statements. The bank will check compliance with the loan agreement annually. If the subsidiaries breach the contract, the bank management could increase the interest rate by 0.25% on the first time of breach, and immediately terminate the credit line on the second time of breach in accordance with the agreement.

The Company and its subsidiaries' consolidated financial statements breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

3) 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.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

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

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2019	2018
Salaries and incentive bonus	$ 259,076	$ 272,196
Commission and service fee	175,263	146,546
Employee compensation and remuneration of directors	83,606	104,549
Insurance	39,361	32,890
Purchases of equipment	33,466	42,859
Pension	30,325	29,836
Others	100,284	147,154
	$ 721,381	$ 776,030

21. PROVISIONS

	December 31	
	2019	2018
Current		
Warranties	$ 111,884	$ 95,854
Noncurrent		
Others	$ -	$ 3,332

	Warranties	Others	Total
Balance at January 1, 2018	$ 117,235	$ 5,393	$ 122,628
Recognized (reversed)	147,082	(2,028)	145,054
Paid	(167,801)	-	(167,801)
Effects of foreign currency exchange differences	(662)	(33)	(695)
Balance at December 31, 2018	95,854	3,332	99,186
Recognized	181,417	-	181,417
Paid	(163,554)	(3,276)	(166,830)
Effects of foreign currency exchange differences	(1,833)	(56)	(1,889)
Balance at December 31, 2019	$ 111,884	$ -	$ 111,884

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 and its subsidiaries' 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.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries 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. The foreign subsidiaries also make contributions in accordance with local regulations, which is a defined contribution plan.

The employees of subsidiaries Suzhou Tongyu, Shanghai Tong-tai Shin and Shanghai Chin-Jig in China make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of payroll cost to government.

b. Defined benefit plans

The Company and its domestic subsidiaries 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 and its domestic subsidiaries make 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 and its domestic subsidiaries assess 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 and its domestic subsidiaries are 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 and its subsidiaries have no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries' defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 299,055	$ 301,075
Fair value of plan assets	(210,846)	(223,853)
	88,209	77,222
Less : Net defined benefit liabilities	89,674	78,630
Net defined benefit assets	$ (1,465)	$ (1,408)

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 297,898	$ (225,157)	$ 72,741
Service cost			
Current service cost	2,851	-	2,851
Interest expense (income)	3,724	(2,858)	866
Recognized in profit or loss	6,575	(2,858)	3,717
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,549)	(6,549)
Actuarial loss - changes in demographic assumptions	584	-	584
Actuarial loss - changes in financial assumptions	2,921	-	2,921
Actuarial loss - experience adjustments	10,847	-	10,847
Recognized in other comprehensive income	14,352	(6,549)	7,803
Contributions from the employer	-	(6,631)	(6,631)
Contributions from plan participants	-	(408)	(408)
Benefits paid	(17,750)	17,750	-
	(17,750)	10,711	(7,039)
Balance at December 31, 2018	301,075	(223,853)	77,222
Service cost			
Current service cost	2,552	-	2,552
Interest expense (income)	3,378	(2,556)	822
Recognized in profit or loss	5,930	(2,556)	3,374
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,760)	(7,760)
Actuarial loss - changes in demographic assumptions	1,753	-	1,753

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - changes in financial assumptions	$ 27,059	$ -	$ 27,059
Actuarial loss - experience adjustments	(4,969)	-	(4,969)
Recognized in other comprehensive income	23,843	(7,760)	16,083
Contributions from the employer	-	(8,470)	(8,470)
Benefits paid	(31,793)	31,793	-
	(31,793)	23,323	(8,470)
Balance at December 31, 2019	$ 299,055	$ (210,846)	$ 88,209

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 2,518	$ 2,805
Operating expenses	856	912
	$ 3,374	$ 3,717

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are 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:

	December 31	
	2019	2018
Discount rate (%)	0.8	1.125
Expected rate of salary increase (%)	2.25-2.63	2.25-3.00
Turnover rate (%)	1-30	1-30
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:

	December 31	
	2019	2018
Discount rate		
0.25% increase	$ (5,875)	$ (6,167)
0.25% decrease	$ 7,263	$ 6,379
Expected rate of salary increase		
0.25% increase	$ 5,810	$ 6,107
0.25% decrease	$ (5,644)	$ (5,935)

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.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 7,226	$ 7,111
The average duration of the defined benefit obligation	6-12 years	6-12 years

23. EQUITY

a. Ordinary Shares

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

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

	December 31	
	2019	2018
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	-	9,336
	1,189,024	1,198,360
May be used to offset a deficit only		
Expired employee stock warrants	1,234	1,234
Changes in percentage of ownership interests in subsidiaries	-	1,510
	1,234	2,744
	$ 1,190,258	$ 1,201,104

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:

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

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:

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (84,143)	$ (63,767)
Recognized for the year		
Exchange differences on translating foreign operations	(67,181)	(28,342)
Income tax	13,412	5,661
Effect of change in tax rate	-	2,305
Balance at December 31	$ (137,912)	$ (84,143)

2) Unrealized gain and loss on financial assets at FVTOCI

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

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 744,237	$ 677,324
Attributable to non-controlling interests:		
Share in profit for the year	30,673	85,074
Exchange difference on translating foreign operations	(112)	40
Income tax relating to exchange difference on translating foreign operations	(28)	(9)
Dividend distributed by subsidiaries	(69,781)	(4,110)
Remeasurement on defined benefit plans	(220)	(525)
Effect of change in subsidiaries' ownership percentage in investees	2,490	118
Increase and decrease in non-controlling interests	224	(13,675)
Balance at December 31	$ 707,483	$ 744,237

24. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from sale of goods	$ 9,860,628	$ 10,713,616
Revenue from maintenance and rebuilding services	1,139,465	911,661
	$ 11,000,093	$ 11,625,277

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable, long-term notes and accounts receivables	$ 3,889,293	$ 4,298,278	$ 4,436,723
Contract liabilities			
Sales of goods	$ 1,001,236	$ 1,620,772	$ 1,428,382

b. Disaggregation of revenue

	For the Year Ended December 31	
Geographical	2019	2018
Taiwan	$ 1,217,433	$ 1,468,834
China	4,191,728	5,177,964
Europe	2,390,559	2,184,466
Asia	2,123,883	1,578,527
Others	1,076,490	1,215,486
	$ 11,000,093	$ 11,625,277

25. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2019	2018
Subsidy income	$ 39,529	$ 73,283
Interest income	33,707	38,849
Rental income	15,410	12,261
Dividend income	8,642	1,393
Others	50,197	40,371
	$ 147,485	$ 166,157

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange loss	$ (107,449)	$ (14,984)
Gain (loss) on financial instruments at fair value through profit or loss	(365)	54,899
Gain on disposal of property, plant and equipment	823	7,837
Depreciation expense	(14,879)	(13,839)
Compensation expense	(1,600)	(1,101)
Others	(28,972)	(13,313)
	$ (152,442)	$ 19,499

The components of net foreign exchange loss were as follows:

	For the Year Ended December 31	
	2019	2018
Foreign exchange gain	$ 108,207	$ 197,798
Foreign exchange loss	(215,656)	(212,782)
Net foreign exchange loss	$ (107,449)	$ (14,984)

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 111,544	$ 122,717
Interest on lease liabilities	17,167	-
Others	1,908	778
	$ 130,619	$ 123,495

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Depreciation and amortization expenses		
Property, plant and equipment	$ 252,672	$ 249,034
Right-of-use assets	59,161	-
Investment properties	11,789	12,047
Intangible assets	31,335	40,049
Others	28,188	18,844
	$ 383,145	$ 319,974
An analysis of depreciation by function		
Operating costs	$ 183,513	$ 158,747
Operating expenses	125,230	88,495
Non-operating expenses	14,879	13,839
	$ 323,622	$ 261,081
An analysis of amortization by function		
Operating costs	$ 36,016	$ 33,062
Operating expenses	23,507	25,831
	$ 59,523	$ 58,893

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2019	2018
Direct operating expenses of investment properties that generated rental income	$ 12,536	$ 13,100

f. Employee benefits

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 1,868,731	$ 1,956,886
Post-employment benefits		
Defined contribution plans	133,885	132,539
Defined benefit plans (Note 23)	3,374	3,717
	137,259	136,256
	$ 2,005,990	$ 2,093,142
Analysis of employee benefits by function		
Operating costs	$ 1,278,033	$ 1,354,568
Operating expenses	727,957	738,574
	$ 2,005,990	$ 2,093,142

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:

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 3,894	$ 20,963
Remuneration of directors	944	5,082

If there is a change in the proposed amounts after the annual consolidated 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 consolidated 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.

26. INCOME TAX

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

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 84,355	$ 116,225
Income tax on unappropriated earnings	7,894	1,007
Adjustments for prior years	(461)	4,188
	91,788	121,420
Deferred tax		
In respect of the current year	(35,862)	2,879
Adjustments for prior years	(12,634)	(18,136)
Changes in tax rates	-	(26,109)
	(48,496)	(41,366)
	$ 43,292	$ 80,054

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	$ 132,912	$ 477,353
Income tax expense calculated at the statutory rate	$ 42,248	$ 114,905
Non-deductible expenses in determining taxable income	6,245	4,199
Income tax on unappropriated earnings	7,894	1,007
Changes in tax rates	-	(26,109)
Adjustments for prior years	(13,095)	(13,948)
	$ 43,292	$ 80,054

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

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Change in percentage of ownership	$ (3,457)	$ 2,711

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current period		
Translation of foreign operations	$ 13,384	$ 5,652
Remeasurement on defined benefit plans	(563)	1,320
Change in tax rates	-	7,406
	$ 12,821	$ 14,378

d. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 19,811	$ 8,413
Current tax liabilities		
Income tax payable	$ 34,732	$ 74,789

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
Deferred tax assets						
Temporary differences						
Write-downs of inventory	$ 84,033	$ 27,981	$ -	$ -	$ (315)	$ 111,699
Allowance for bad debts	61,124	14,853	-	-	(869)	75,108
Share of loss of foreign subsidiaries	30,683	4,661	-	3,457	-	38,801
Exchange difference on translating foreign operations	21,081	-	13,384	-	-	34,465
Defined benefit plan	16,354	(768)	(563)	-	-	15,023
Deduction of development cost	4,366	(60)	-	-	-	4,306
Provisions	12,492	2,006	-	-	(95)	14,403
Others	69,878	791	-	-	(2,172)	68,497
	$ 300,011	$ 49,464	$ 12,821	$ 3,457	$ (3,451)	$ 362,302
Deferred tax liabilities						
Temporary differences						
Land value increment tax	$ 66,990	$ -	$ -	$ -	$ -	$ 66,990
Others	1,708	968	-	-	(42)	2,634
	$ 68,698	$ 968	$ -	$ -	$ (42)	$ 69,624

For the Year Ended December 31, 2018

	Balance, Beginning of Year	Adjustment on Initial Application of IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Balance, End of Year
Deferred tax assets							
Temporary differences							
Write-downs of inventory	$ 67,819	$ -	$ 16,398	$ -	$ -	$ (184)	$ 84,033
Allowance for bad debts	49,101	-	12,304	-	-	(281)	61,124
Share of loss of foreign subsidiaries	24,826	-	8,568	-	(2,711)	-	30,683
Exchange difference on translating foreign operations	13,124	-	-	7,957	-	-	21,081
Defined benefit plan	13,218	-	(3,285)	6,421	-	-	16,354
Deduction of development cost	7,005	-	(2,639)	-	-	-	4,366
Provisions	16,554	-	(3,991)	-	-	(71)	12,492
Others	65,012	(6,701)	12,003	-	-	(436)	69,878
	$ 256,659	$ (6,701)	$ 39,358	$ 14,378	$ (2,711)	$ (972)	$ 300,011
Deferred tax liabilities							
Temporary differences							
Land value increment tax	$ 66,990	$ -	$ -	$ -	$ -	$ -	$ 66,990
Others	3,730	-	(2,008)	-	-	(14)	1,708
	$ 70,720	$ -	$ (2,008)	$ -	$ -	$ (14)	$ 68,698

f. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Subsidiary		
Loss carryforwards	$ 321,344	$ 321,380

The unrecognized loss carryforwards will expire through 2036.

g. Information about unused investment credits

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

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditure	$ 4,306	2020

h. Income tax assessments

The income tax returns of the Company and the subsidiaries (included APEC, Tongfong, Quick-Tech and Honor Seiki) through 2017 have been assessed by the tax authorities. The income tax returns of the subsidiary Tong-Yeh through 2016 have been assessed by tax authorities.

27. 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

	For the Year Ended December 31	
	2019	2018
Attributable to owners of the Company	$ 58,947	$ 312,225

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

	For the Year Ended December 31	
	2019	2018
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	477	1,212
Weighted average number of ordinary shares used in the computation of diluted earnings per share	255,304	256,039

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.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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:

	Amount
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	1,605
	$ 10,941

29. NON-CASH TRANSACTIONS

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

	For the Year Ended December 31	
	2019	**2018**
Investing activities affecting both cash and non-cash items		
Property, plant and equipment	$ 139,049	$ 102,104
Payable for equipment	9,393	16,808
Prepayment for equipment	1,269	(16,916)
Cash paid	$ 149,711	$ 101,996

30. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 19).

31. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated 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

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets at fair value through profit or loss - current				
CNY floating rate financial products	$ -	$ -	$ 18,456	$ 18,456
Financial assets at FVTOCI - non-current				
Domestic listed shares	$ 121,572	$ -	$ -	$ 121,572
Domestic unlisted shares	-	-	58,692	58,692
	$ 121,572	$ -	$ 58,692	$ 180,264
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	$ -	$ 6,357	$ -	$ 6,357
Swap contracts	-	1,900	-	1,900
	$ -	$ 8,257	$ -	$ 8,257
December 31, 2018				
Financial assets at fair value through profit or loss - current				
Cross-currency swap contract	$ -	$ 5,476	$ -	$ 5,476
Swap contract	-	1,716	-	1,716
Foreign exchange forward contracts	-	12	-	12

(Continued)

	Level 1	Level 2	Level 3	Total
CNY floating rate financial products	$ -	$ -	$ 46,411	$ 46,411
	$ -	$ 7,204	$ 46,411	$ 53,615
Financial assets at FVTOCI - non-current				
Domestic listed shares	$ 115,066	$ -	$ -	$ 115,066
Domestic unlisted shares	-	-	56,005	56,005
	$ 115,066	$ -	$ 56,005	$ 171,071
Financial liabilities at fair value through profit or loss - current				
Cross-currency swap contract	$ -	$ 499	$ -	$ 499
Swap contracts	-	21	-	21
	$ -	$ 520	$ -	$ 520

(Concluded)

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

For the year ended December 31, 2019

Financial assets	Non-derivatives Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2019	$ 46,411	$ 56,005	$ 102,416
Purchase	17,888	-	17,888
Disposal	(46,255)	-	(46,255)
Change in fair value recognized in profit or loss	1,128	-	1,128
Change in fair value recognized in other comprehensive income	-	2,687	2,687
Effect of foreign currency exchange difference	(716)	-	(716)
Balance at December 31, 2019	$ 18,456	$ 58,692	$ 77,148

For the year ended December 31, 2018

Financial assets	Non-derivatives Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2018	$ 39,149	$ 49,420	$ 88,569
Purchase	52,440	-	52,440
Disposal	(46,586)	-	(46,586)
Change in fair value recognized in profit or loss	2,364	-	2,364
Change in fair value recognized in other comprehensive income	-	6,585	6,585
Effect of foreign currency exchange difference	(956)	-	(956)
Balance at December 31, 2018	$ 46,411	$ 56,005	$ 102,416

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. For CNY floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at FVTPL	$ 18,456	$ 53,615
Financial assets at amortized cost (1)	5,994,822	6,528,083
Financial assets at FVTOCI		
Equity instruments	180,264	171,071
Financial liabilities		
Financial liabilities at FVTPL	8,257	520
Financial liabilities at amortized cost (2)	8,886,226	9,961,752

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

d. Financial risk management objectives and policies

The Company and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' 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 and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' 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 and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries are 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 35.

The Company and its subsidiaries are mainly exposed to the USD, CNY and EUR. The following table details the Company and its subsidiaries' 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.

	USD Impact		**CNY Impact**		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Pre-tax profit or loss (Note)	$ (35,786)	$ (41,323)	$ (55,817)	$ (62,831)	$ (7,054)	$ (2,926)

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, 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 and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 8,546	$ 10,654
Financial liabilities	1,566,822	1,082,386
Cash flow interest rate risk		
Financial liabilities	3,692,051	3,567,963

The sensitivity analysis below was determined based on the Company and its subsidiaries' 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 and its subsidiaries' pre-tax profit would have been lower/higher by NT$36,921 thousand and NT$35,680 thousand for the year ended December 31, 2019 and 2018, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and 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 and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries 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 and its subsidiaries' 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 and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, long-term notes and accounts receivable, overdue receivables and other receivables) by customer was as follows:

	December 31	
Customer	**2019**	**2018**
Company A	$ 863,211	$ 1,158,121

3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' 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 and its subsidiaries' 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 and its subsidiaries 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**
December 31, 2019				
Short-term borrowings	$ 3,016,060	$ -	$ -	$ 3,016,060
Short-term bills payable	242,000	-	-	242,000
Notes payable	118,877	-	-	118,877
Accounts payable (including related parties)	1,547,545	-	-	1,547,545
Other payables	721,381	-	-	721,381

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	$ 53,912	$ 167,060	$ 660,688	$ 881,660
Long-term borrowings (including those due in one year)	1,083,770	1,995,227	284,038	3,363,035
	$ 6,783,545	$ 2,162,287	$ 944,726	$ 9,890,558
December 31, 2018				
Short-term borrowings	$ 3,267,797	$ -	$ -	$ 3,267,797
Short-term bills payable	330,000	-	-	330,000
Notes payable	246,971	-	-	246,971
Accounts payable (including related parties)	2,149,254	-	-	2,149,254
Other payables	776,030	-	-	776,030
Long-term borrowings (including those due in one year)	1,100,629	2,090,449	143,125	3,334,203
	$ 7,870,681	$ 2,090,449	$ 143,125	$ 10,104,255

(Concluded)

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 53,912	$ 167,060	$ 166,159	$ 113,434	$ 112,552	$ 268,543

32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

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

Related Party Name	Relationship
Contrel 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

Account Item	Related Party Type	For the Year Ended December 31 2019	2018
Revenues from sales	Other related parties	$ 22,518	$ 22,875

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
Other related parties	$ 194,949	$ 311,942

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

d. Receivables from related parties

Account Item	Related Party Type	December 31 2019	2018
Accounts receivable - related parties	Other related parties	$ 5,503	$ 9,201
Other accounts receivable	Other related parties	$ 786	$ 782

e. Payables to related parties

Account Item	Related Party Type	December 31 2019	2018
Notes payable - related parties	Other related parties	$ 38	$ 2,983
Accounts payable - related parties	Other related parties		
	Shiang Jen	$ 49,330	$ 98,697
	Shan Shin	24,018	46,886
		$ 73,348	$ 145,583
Other accounts payable	Other related parties	$ 4,031	$ 3,895

f. Other transactions with related parties

1) After-sales service expenses (recognized as selling and marketing expenses)

Related Party Type	For the Year Ended December 31 2019	2018
Other related parties	$ -	$ 476

2) Commission expense (recognized as selling and marketing expenses)

Related Party Type	For the Year Ended December 31 2019	2018
Other related parties	$ 5,890	$ 6,262

3) Rental income

Related Party Type	For the Year Ended December 31 2019	2018
Other related parties		
Shiang Jen	$ 4,920	$ 4,860
Others	40	6
	$ 4,960	$ 4,866

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

h. Compensation of key management personnel

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' 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 were as follows:

	December 31 2019	2018
Property, plant and equipment	$ 1,755,738	$ 1,688,113
Investment properties	152,290	159,131
Pledged deposits (including in other financial assets)	869,487	876,980
	$ 2,777,515	$ 2,724,224

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15, significant commitments and contingencies of the Company and its subsidiaries as of December 31, 2019 were as follows:

a. Unused letters of credit in the amount of NT$302,505 thousand.

b. For sales bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT$358,614 thousand.

35. 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 its subsidiaries 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:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2019				
Monetary foreign currency assets				
USD	$ 64,357	29.98	(USD:NTD)	$ 1,929,423
USD	1,112	0.893	(USD:EUR)	33,338
CNY	443,536	4.305	(CNY:NTD)	1,909,422
EUR	7,364	33.59	(EUR:NTD)	247,357
Non-monetary foreign currency assets				
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
Monetary foreign currency liabilities				
USD	20,333	29.98	(USD:NTD)	609,583
USD	5,347	0.893	(USD:MYR)	160,303
CNY	11,345	4.305	(CNY:NTD)	48,840
EUR	364	33.59	(EUR:NTD)	12,227
December 31, 2018				
Monetary foreign currency assets				
USD	67,911	30.715	(USD:NTD)	2,085,883
USD	1,702	0.8726	(USD:EUR)	52,279
CNY	472,731	4.472	(CNY:NTD)	2,114,054
EUR	2,966	35.2	(EUR:NTD)	104,387
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	21,625	30.715	(USD:NTD)	664,210
USD	3,142	0.8726	(USD:MYR)	96,513
CNY	4,401	4.472	(CNY:NTD)	19,681
EUR	194	35.2	(EUR:NTD)	6,844

The total foreign exchange net loss amounted to NT$107,449 thousand and NT$14,984 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.

36. 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. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 6 attached;

k. 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 7 attached;

l. 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 8 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.

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Tongtai - Mainly doing business in Taiwan, China and Asia.
- Union Top and its subsidiaries - Mainly doing business in China.
- Honor Seiki and its subsidiaries - Mainly doing business in China, Asia and Europe.
- Tongan and its subsidiaries - Mainly doing business in Europe.
- Others - The operating units of the Company and its subsidiaries, which did not reach the quantitative threshold.

a. Segment revenues and operating results

The following is an analysis of the Company and its subsidiaries' revenues and results of operations by reportable segment.

	Tongtai	Union Top	Honor Seiki	Tongan	Others	Adjustment and Elimination	Total
For the year ended December 31, 2019							
Revenues from external customers	$ 4,674,718	$ 1,700,745	$ 1,267,105	$ 1,029,925	$ 2,327,600	$ -	$ 11,000,093
Inter-segment revenues	747,810	38,264	19,437	1,842	366,682	(1,174,035)	-
Segment revenues	$ 5,422,528	$ 1,739,009	$ 1,286,542	$ 1,031,767	$ 2,694,282	$ (1,174,035)	$ 11,000,093
Segment profit (loss)	$ 81,315	$ 38,403	$ 158,191	$ (66,841)	$ 45,697	$ 13,876	$ 270,641
Interest income	20,060	1,489	17,166	3	574	(5,585)	33,707
Financial costs	(66,649)	(24,012)	(9,738)	(10,452)	(25,353)	5,585	(130,619)
Share of the profit of associates	39,673	-	-	-	6,787	(48,613)	(2,153)
Other non-operating income and expenses	(19,486)	759	(18,494)	(1,614)	13,009	(12,838)	(38,664)
Profit (loss) before income tax	54,913	16,639	147,125	(78,904)	40,714	(47,575)	132,912
Income tax expense (benefit)	(4,034)	1,431	32,478	4,744	8,673	-	43,292
Net profit (loss) for the year	$ 58,947	$ 15,208	$ 114,647	$ (83,648)	$ 32,041	$ (47,575)	$ 89,620

(Continued)

	Tongtai	Union Top	Honor Seiki	Tongan	Others	Adjustment and Elimination	Total
For the year ended December 31, 2018							
Revenues from external customers	$ 5,283,962	$ 2,056,928	$ 1,055,284	$ 778,691	$ 2,450,412	$ -	$ 11,625,277
Inter-segment revenues	1,192,309	64,057	50,729	5,019	409,667	(1,721,781)	-
Segment revenues	$ 6,476,271	$ 2,120,985	$ 1,106,013	$ 783,710	$ 2,860,079	$ (1,721,781)	$ 11,625,277
Segment profit (loss)	$ 101,627	$ 134,040	$ 123,923	$ (77,157)	$ 125,095	$ 10,035	$ 417,563
Interest income	14,989	2,564	23,509	8	753	(2,974)	38,849
Financial costs	(57,481)	(25,954)	(12,449)	(10,121)	(20,464)	2,974	(123,495)
Share of the profit of associates	180,234	-	-	-	17,789	(200,394)	(2,371)
Other non-operating income and expenses	56,234	(3,120)	76,461	8,771	17,458	(8,997)	146,807
Profit (loss) before income tax	295,603	107,530	211,444	(78,499)	140,631	(199,356)	477,353
Income tax expense (benefit)	(16,622)	37,458	37,998	(1,491)	22,711	-	80,054
Net profit (loss) for the year	$ 312,225	$ 70,072	$ 173,446	$ (77,008)	$ 117,920	$ (199,356)	$ 397,299

(Concluded)

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2019	2018
Segment assets		
Tongtai	$ 11,109,745	$ 12,300,210
Union Top and its subsidiaries	2,065,501	2,550,490
Honor Seiki and its subsidiaries	2,580,552	2,744,076
Tongan and its subsidiaries	1,015,564	740,233
Others	3,743,116	3,733,107
Adjustment and elimination	(3,592,626)	(3,981,007)
	$ 16,921,852	$ 18,087,109
Segment liabilities		
Tongtai	$ 5,825,181	$ 6,923,090
Union Top and its subsidiaries	1,107,043	1,557,982
Honor Seiki and its subsidiaries	1,343,211	1,500,754
Tongan and its subsidiaries	1,052,437	676,120
Others	2,625,227	2,515,506
Adjustment and Elimination	(1,023,294)	(1,207,700)
	$ 10,929,805	$ 11,965,752

c. Revenues from major products and services

Revenues from major products and services of the Company and its subsidiaries were as follows:

	For the Year Ended December 31	
	2019	**2018**
Sales		
Machining Center	$ 4,349,263	$ 4,497,845
CNC Lathe	2,695,906	2,945,827
PCB Processing Machine	1,342,861	1,885,604
Special Purpose Machine	994,089	713,686
Others	478,509	670,654
Maintenance and rebuilding revenues	1,139,465	911,661
	$ 11,000,093	$ 11,625,277

d. Geographical information

The Company and its subsidiaries operate in three principal geographical areas - Taiwan, Asia and Europe.

The Company and its subsidiaries' revenues from continuing operations from external customers and information about their non-current assets by geographical location are detailed below:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2019	**2018**	**2019**	**2018**
Taiwan	$ 1,016,780	$ 1,468,834	$ 3,378,490	$ 3,031,042
China	3,984,832	5,177,964	440,422	472,268
Europe	2,362,178	2,184,466	453,120	329,384
Asia	2,086,285	1,578,527	95,226	99,515
Others	1,550,018	1,215,486	370	-
	$ 11,000,093	$ 11,625,277	$ 4,367,628	$ 3,932,209

Non-current assets excluded financial assets, investment accounted for using the equity method, deferred tax assets, long-term notes and accounts receivables and net defined benefit assets.

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Company and its subsidiaries' total revenues for the years ended December 31, 2019 and 2018.

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 (Note 4)	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.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 2

TONGTAI MACHINE & 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 Beteilingung 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 (3), 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).

TABLE 3

TONGTAI MACHINE & 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.	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	
	SHIANG JEN CO., LTD.	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	
					$ 180,264		$ 180,264	
	Common stock							
	YI XIANG Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	75,000	$ -	14	$ -	
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	
					$ 18,456		$ 18,456	

TABLE 4

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	Note
	Tongtai Machine Tool (SEA) Sdn. Bhd.	Subsidiary	Sales	(129,927)	(2)	Comparable with ones of non-related party transactions	-	-	76,344	4	Note
	Tongfong Auto Tech Co., Ltd.	Subsidiary	Purchases	189,681	6	Comparable with ones of non-related party transactions	-	-	(54,079)	(7)	Note
	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)	Note

Note: All the transactions had been eliminated when preparing consolidated financial statements.

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 (Note 3)	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.

Note 3: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 6

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenues or Assets
0	The Company	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Accounts receivable	$ 150,370	Based on contracts	1.00
0	The Company	Suzhou Tongyu Machine Tool Co., Ltd.	Parent to subsidiary	Sales	415,044	Based on contracts	4.00
0	The Company	Union Top Industrial (Samoa) Limited	Parent to subsidiary	Other receivable	62,958	Based on contracts and BOD resolution	-
0	The Company	Tong Tai Machinery Co., Ltd.	Parent to subsidiary	Other receivable	38,981	Based on contracts and BOD resolution	-
0	The Company	Anger Machining GmbH	Parent to subsidiary	Other receivable	203,838	Based on contracts and BOD resolution	1.00
0	The Company	Anger Machining GmbH	Parent to subsidiary	Sales	35,656	Based on contracts	-
0	The Company	Tongtai Europe B.V.	Parent to subsidiary	Accounts receivable	34,514	Based on contracts	-
0	The Company	Tongtai Europe B.V.	Parent to subsidiary	Other receivable	60,552	Based on contracts and BOD resolution	-
0	The Company	Tongtai Europe B.V.	Parent to subsidiary	Sales	62,076	Based on contracts	1.00
0	The Company	Tongtai Machine Tool (SEA) Sdn. Bhd.	Parent to subsidiary	Accounts receivable	76,344	Based on contracts	-
0	The Company	Tongtai Machine Tool (SEA) Sdn. Bhd.	Parent to subsidiary	Sales	129,927	Based on contracts	1.00
0	The Company	Tongfong Auto Tech Co., Ltd.	Parent to subsidiary	Accounts receivable	25,679	Based on contracts	-
0	The Company	Honor Seiki Co., Ltd.	Parent to subsidiary	Sales	40,919	Based on contracts	-
0	The Company	TTGroup France	Parent to subsidiary	Sales	35,193	Based on contracts	-
0	The Company	Asia Pacific Elite Corp.	Parent to subsidiary	Accounts receivable	22,771	Based on contracts	-
1	Tongfong Auto Tech Co., Ltd.	The Company	Subsidiary to Parent	Accounts receivable	54,079	Based on contracts	-
1	Tongfong Auto Tech Co., Ltd.	The Company	Subsidiary to Parent	Sales	186,901	Based on contracts	2.00
2	Suzhou Tongyu Machine Tool Co., Ltd.	The Company	Subsidiary to Parent	Sales	36,500	Based on contracts	-
3	Tong-Yeh Precision Co., Ltd.	The Company	Subsidiary to Parent	Sales	28,452	Based on contracts	-
4	Asia Pacific Elite Corp.	The Company	Subsidiary to Parent	Sales	66,562	Based on contracts	1.00
5	Honor Seiki Co., Ltd.	The Company	Subsidiary to Parent	Sales	18,467	Based on contracts	-
6	Tongtai Machine & Tool Japan Co., Ltd.	The Company	Subsidiary to Parent	Sales	30,399	Based on contracts	-
7	Mbi-group Beteiligung GmbH	HPC Produktions GmbH	Subsidiary to Subsidiary	Accounts receivable	23,348	Based on contracts	-
8	Anger Machining GmbH	Anger Machining Inc.	Subsidiary to Subsidiary	Sales	15,769	Based on contracts	-
9	Anger Service Deutschland GmbH	Anger Machining GmbH	Subsidiary to Subsidiary	Sales	15,243	Based on contracts	-

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
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	Note
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	Note
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)	Note
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)	Note
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	Note
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)	Note
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	Note
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	Note
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)	Note
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)	Note
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)	Note
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	Note
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	Note
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	Note
Tongtai Machine & Tool Co., Ltd.	Tongan GmbH	Austrian	General investment	597,771	597,771	35,000	100.00	(36,873)	(83,648)	(83,648)	Note
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	Note
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)	Note
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	-	-	-	Note
Honor Seiki Co., Ltd.	Honor Seiki International Co., Ltd.	BVI	Sales of merchandise	-	1,502	-	-	-	2	2	Note
Honor Seiki Co., Ltd.	Honor Seiki USA Corporation	USA	Sales of machine tools	-	3,372	-	-	-	(94)	(94)	Note
Chin-Jig Technology Co., Ltd.	Time Trade International Limited	Samoa	General investment	32,771	32,771	-	100.00	80,045	2,133	2,133	Note
Tongtai Europe B.V.	Tongtai East Europe S.R.L.	Romania	Sales of merchandise	-	2,397	-	-	-	(2)	(2)	Note
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	Note
Tongan GmbH	Mbi-group Beteiligung GmbH	Austrian	General investment	611,202	594,407	-	100.00	30,298	(85,468)	(85,453)	Note
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	Note
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)	Note
Anger Machining GmbH	Anger Machining Inc.	USA	Sales and maintenance of machine tools	122	122	60,000	100.00	(2,073)	591	591	Note
Anger Machining GmbH	Anger Service Deutschland GmbH	Germany	Sales and maintenance of machine tools	868	868	-	100.00	1,397	574	574	Note
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	Note
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)	

Note: All the transactions had been eliminated when preparing consolidated financial statements.

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	$ -	Note 4
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	Note 4
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	Note 4
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	-	-	-	Note 4
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	Note 4

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	$ 868,910	$ 868,910	$ 3,170,738
Chin-Jig Technology Co., Ltd.	16,489	16,489	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.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.