CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

CHENG UEI PRECISION INDUSTRY CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CHENG UEI PRECISION INDUSTRY CO., LTD.

March 31, 2020

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19000489

To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (which are described in the *Other matters* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and 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. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020" and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and ROC GAAS for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China ("Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other auditors are sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter-significant unresolved litigation involving investments accounted for using equity method

As described in Notes 6(8) and 9(2) to the consolidated financial statements, Central Motion Picture Corporation, an equity-method investment of the Group, was determined to be an affiliate organization of the Kuomintang by the Ill-gotten Party Assets Settlement Committee in its written disposition issued on October 9, 2018. Under Article 16 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organizations, Central Motion Picture Corporation may file an administrative litigation (an action for revocation) in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, Central Motion Picture Corporation may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted a cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However, Ill-gotten Party subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture Corporation filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined, therefore our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the year ended December 31, 2019 are stated as follows:

Valuation of Goodwill impairment

<u>Description</u>

Please refer to Note 4(20) for accounting policies on impairment loss on non-financial assets, Note 5(1) for the uncertainty of accounting estimates and assumptions applied to goodwill impairment valuation, and Note 6(12) for details of goodwill impairment valuation.

The amount of goodwill (including indefinite useful life trademarks) was generated from the acquisition of a subsidiary through the consolidated entity. The Group valued the impairment of goodwill (including indefinite useful life trademarks) through the discounted cash flow method which measures the cash generating unit's recoverable amount. As the assumptions of expected future cash flows contained subjective judgement and involved a high degree of uncertainty which would cause a material impact on the valuation result, the valuation of goodwill impairment (including indefinite useful life trademarks) was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding and assessed the reasonableness of valuation of goodwill impairment policies and procedures, including collection of internal and external data, operating forecast and industry changes.
B. Obtained the external appraisal report on impairment valuation and performed the following procedures:
   (a) We examined the external appraiser's qualification and assessed the independence, objectiveness and competence.
   (b) We assessed that the valuation method used in the appraisal report was widely used and appropriate.
   (c) We assessed the reasonableness of significant assumptions (including expected growth rate and discount rate) applied in the appraisal report.

Assessment of allowance for inventory valuation losses

Description

Please refer to Note 4(13) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions applied to inventory valuation, and Note 6(7) for details of inventory.

The Group is primarily engaged in the manufacturing and sale of electronic components and parts. As the electronic products' life cycles are relatively short and the market is highly competitive, there is a higher risk of incurring inventory valuation losses or obsolescence due to economic depression or an excess of supply over demand. The Company's inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories.

The industry technology is rapidly changing, and the net realisable value involves subjective judgement resulting in an uncertainty when assessing the obsolete or slow-moving inventories. Given that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

A. Assessed the reasonableness of policies and procedures on allowance for inventory valuation losses based on our understanding of the Group's operation and industry.

B. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the effectiveness of the management of inventory.

C. Verified whether the systematic logic used in the Group's inventory aging report is appropriate and in line with its policies.

D. Inspected inventory valuation basis adequacy and verified the selected samples' information, for instance, purchase price and sale price. Also recalculated and evaluated the reasonableness of inventory allowance basis in order to verify that the inventory was measured at the lower of cost and net realisable value.

Other matter-Using the work of other auditors

We did not audit the financial statements of certain consolidated subsidiaries, which reflect total assets of NT$ 414,617 thousand and NT$ 277,482 thousand as at December 31, 2019 and 2018, constituting 0.57% and 0.39% of consolidated total assets; total operating revenue of NT$ 1,772,626 thousand and NT$ 1,159,063 thousand, for the years ended December 31, 2019 and 2018, constituting 1.81% and 1.32% of consolidated total operating revenue, respectively. Those financial statements and the information disclosed in Note 13 were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other auditors.

Other matter-Parent company only financial reports

We have audited and expressed an unqualified opinion with the other matters section on the parent company only financial statements of Cheng Uei Precision Industry Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

A. 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.

B. 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 Group's internal control.
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
D. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
E. 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.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Se-Kai	Liang, Yi-Chang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 31, 2020

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	6(1)	$ 6,296,729	9	$ 6,122,851	9
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(3)	129,150	-	-	-
1136	Current financial assets at amortised cost	6(4) and 8	1,643,178	2	724,238	1
1150	Notes receivable, net		24,547	-	24,412	-
1170	Accounts receivable, net	6(5)	15,474,111	21	12,683,440	18
1180	Accounts receivable, net - related parties	7	430,979	1	680,017	1
1200	Other receivables	6(6)	359,717	1	704,648	1
1210	Other receivables - related parties	7	95,825	-	68,020	-
1220	Current income tax assets	6(29)	15,762	-	26,968	-
130X	Inventories, net	6(7)	11,218,741	15	13,141,480	18
1410	Prepayments		1,726,442	2	1,706,883	2
1470	Other current assets		22,440	-	51,983	-
11XX	**TOTAL CURRENT ASSETS**		37,437,621	51	35,934,940	50
1517	Financial assets at fair value through other comprehensive income-non-current	6(3) and 12(3)	936,755	1	1,040,342	2
1535	Non-current financial assets at amortised cost	6(4) and 8	127,584	-	8,416	-
1550	Investments accounted for under equity method	6(8)	4,454,802	6	4,504,413	6
1600	Property, plant and equipment, net	6(9)	23,397,983	32	21,962,875	31
1755	Right-of-use assets	6(10) and 7	1,831,171	2	-	-
1760	Investment property, net	6(11)	591,774	1	290,492	-
1780	Intangible assets, net	6(12)	2,251,948	3	2,879,178	4
1840	Deferred income tax assets	6(29)	552,815	1	339,023	1
1915	Prepayments for business facilities		1,295,103	2	2,007,432	3
1990	Other non-current assets, others	8	418,848	1	2,201,924	3
15XX	**TOTAL NON-CURRENT ASSETS**		35,858,783	49	35,234,095	50
1XXX	**TOTAL ASSETS**		$ 73,296,404	100	$ 71,169,035	100

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CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

			December 31, 2019		December 31, 2018	
	LIABILITIES AND EQUITY	Notes	AMOUNT	%	AMOUNT	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(13)	$ 2,038,744	3	$ 1,458,024	2
2110	Short-term notes and bills payable	6(14)	374,942	1	494,895	1
2130	Current contract liabilities	6(23)	787,222	1	624,287	1
2150	Notes payable		3,273	-	3,814	-
2170	Accounts payable		14,712,215	20	15,418,327	22
2180	Accounts payable - related parties	7	230,091	-	326,902	-
2200	Other payables	6(15)	5,870,986	8	6,137,324	9
2230	Current income tax liabilities	6(29)	372,824	1	219,284	-
2280	Current lease liabilities		226,420	-	-	-
2365	Current refund liabilities		20,894	-	19,684	-
2399	Other current liabilities, others	6(17)	1,637,087	2	1,224,087	2
21XX	**TOTAL CURRENT LIABILITIES**		26,274,698	36	25,926,628	37
	NON-CURRENT LIABILITIES					
2530	Corporate bonds payable	6(16)	2,987,655	4	-	-
2540	Long-term borrowings	6(17)	12,038,454	16	14,010,091	20
2570	Deferred income tax liabilities	6(29)	795,899	1	848,271	1
2580	Non-current lease liabilities		294,317	-	-	-
2600	Other non-current liabilities	6(8)(10)(18)	2,662,862	4	2,436,811	3
25XX	**TOTAL NON-CURRENT LIABILITIES**		18,779,187	25	17,295,173	24
2XXX	**TOTAL LIABILITIES**		45,053,885	61	43,221,801	61
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Capital stock	6(19)				
3110	Common stock		5,123,269	7	5,123,269	7
	Capital reserve	6(20)				
3200	Capital surplus		9,471,717	13	9,430,462	13
	Retained earnings	6(21)				
3310	Legal reserve		2,803,290	4	2,742,480	4
3320	Special reserve		1,609,901	2	1,508,296	2
3350	Unappropriated earnings		6,030,302	8	4,980,234	7
	Other equity	6(22)				
3400	Other equity interest		(2,334,535)	(3)	(1,609,901)	(2)
	Treasury shares	6(19)				
3500	Treasury shares		(272,066)	-	(272,066)	-
31XX	**Equity attributable to owners of the parent**		22,431,878	31	21,902,774	31
36XX	**Non-controlling interests**		5,810,641	8	6,044,460	8
3XXX	**TOTAL EQUITY**		28,242,519	39	27,947,234	39
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 73,296,404	100	$ 71,169,035	100

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(23) and 7	$ 97,820,336	100	$ 87,910,961	100
5000	**Operating costs**	6(7)(27)(28) and 7	(87,602,570)	(89)	(80,250,155)	(91)
5900	**Gross profit**		10,217,766	11	7,660,806	9
	Operating expenses	6(27)(28)(35)				
6100	Sales and marketing expenses		(1,904,749)	(2)	(1,913,752)	(2)
6200	General and administrative expenses		(3,596,566)	(4)	(3,511,198)	(4)
6300	Research and development expenses		(2,442,560)	(2)	(2,115,035)	(3)
6450	Expected credit gain	12(2)	7,799	-	5,703	-
6000	**Total operating expenses**		(7,936,076)	(8)	(7,534,282)	(9)
6900	**Operating income**		2,281,690	3	126,524	-
	Non-operating income and expenses					
7010	Other income	6(24) and 7	599,077	-	547,725	1
7020	Other gains and losses	6(25)	(354,994)	-	253,233	-
7050	Finance costs	6(26)	(350,318)	-	(290,555)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(8)	209,359	-	246,111	-
7000	**Total non-operating income and expenses**		103,124	-	756,514	1
7900	**Income before income tax**		2,384,814	3	883,038	1
7950	Income tax expense	6(29)	(597,478)	(1)	(338,853)	-
8200	**Net income**		$ 1,787,336	2	$ 544,185	1

(Continued)

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Years ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive (loss) income, net					
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(18)	($ 5,358)	-	($ 9,712)	-
8316	Unrealized gain on equity instrument at fair value through other comprehensive profit or loss	6(3)	(115,954)	-	(178,498)	(1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		146,285	-	(167,531)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	51	-	(2,279)	-
8310	**Total components of other comprehensive (loss) income that will not be reclassified to profit or loss**		25,024	-	(358,020)	(1)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences arising on translation of foreign operations		(1,084,614)	(1)	(394,135)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(42,766)	-	(39,354)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	206,789	-	81,924	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(920,591)	(1)	(351,565)	-
8300	**Other comprehensive loss, net**		($ 895,567)	(1)	($ 709,585)	(1)
8500	**Total comprehensive (loss) income for the period**		$ 891,769	1	($ 165,400)	-
	Net income (loss) attributable to:					
8610	Shareholders of the parent		$ 1,987,361	2	$ 608,100	1
8620	Non-controlling interests		(200,025)	-	(63,915)	-
	Total		$ 1,787,336	2	$ 544,185	1
	Total comprehensive (loss) income attributable to:					
8710	Shareholders of the parent		$ 1,256,389	1	($ 88,303)	-
8720	Non-controlling interests		(364,620)	-	(77,097)	-
	Total		$ 891,769	1	($ 165,400)	-
	Basic earnings per share (in dollars)					
9750	**Total basic earnings per share**	6(30)	$ 4.10		$ 1.20	
	Diluted earnings per share (in dollars)					
9850	**Total diluted earnings per share**	6(30)	$ 4.05		$ 1.20	

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent										
				Retained earnings			Other equity interest					
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to shareholders of the parent	Non-controlling interest	Total equity
2018												
Balance at January 1,2018		$ 5,123,269	$ 9,468,665	$ 2,609,021	$ 665,206	$ 6,338,675	($ 907,821)	$ 64,731	$ -	$ 23,361,746	$ 2,357,920	$ 25,719,666
Adjustment under new standards		-	-	-	-	76,271	-	(76,271)	-	-	-	-
Balance at January 1 after adjustments		5,123,269	9,468,665	2,609,021	665,206	6,414,946	(907,821)	(11,540)	-	23,361,746	2,357,920	25,719,666
Net income (loss) for the year		-	-	-	-	608,100	-	-	-	608,100	(63,915)	544,185
Other comprehensive loss	6(22)	-	-	-	-	(5,863)	(386,589)	(303,951)	-	(696,403)	(13,182)	(709,585)
Total comprehensive income (loss)		-	-	-	-	602,237	(386,589)	(303,951)	-	(88,303)	(77,097)	(165,400)
Appropriation of 2017 earnings	6(21)											
Legal reserve		-	-	133,459	-	(133,459)	-	-	-	-	-	-
Special reserve		-	-	-	843,090	(843,090)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,024,654)	-	-	-	(1,024,654)	-	(1,024,654)
Changes in ownership interests in subsidiaries		-	140	-	-	(12,857)	-	-	-	(12,717)	-	(12,717)
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	-	-	(22,148)	-	-	-	(22,148)	(12,241)	(34,389)
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method	6(20)	-	(38,343)	-	-	(741)	-	-	-	(39,084)	-	(39,084)
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	(10,931)	(10,931)
Impact of business combination		-	-	-	-	-	-	-	-	-	3,786,809	3,786,809
Business combination, subsidiary's original equity investment become treasury shares		-	-	-	-	-	-	-	(272,066)	(272,066)	-	(272,066)
Balance at December 31, 2018		$ 5,123,269	$ 9,430,462	$ 2,742,480	$ 1,508,296	$ 4,980,234	($ 1,294,410)	($ 315,491)	($ 272,066)	$ 21,902,774	$ 6,044,460	$ 27,947,234
2019												
Balance at January 1, 2019		$ 5,123,269	$ 9,430,462	$ 2,742,480	$ 1,508,296	$ 4,980,234	($ 1,294,410)	($ 315,491)	($ 272,066)	$ 21,902,774	$ 6,044,460	$ 27,947,234
Net income (loss) for the year		-	-	-	-	1,987,361	-	-	-	1,987,361	(200,025)	1,787,336
Other comprehensive (loss) income	6(22)	-	-	-	-	(6,338)	(785,046)	60,412	-	(730,972)	(164,595)	(895,567)
Total comprehensive income (loss)		-	-	-	-	1,981,023	(785,046)	60,412	-	1,256,389	(364,620)	891,769
Appropriation of 2018 earnings	6(21)											
Legal reserve		-	-	60,810	-	(60,810)	-	-	-	-	-	-
Special reserve		-	-	-	101,605	(101,605)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(768,490)	-	-	-	(768,490)	-	(768,490)
Changes in ownership interests in subsidiaries	6(20)	-	-	-	-	(50)	-	-	-	(50)	978	928
Cash dividends distributed to subsidiaries	6(20)	-	41,255	-	-	-	-	-	-	41,255	-	41,255
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	129,823	129,823
Balance at December 31, 2019		$ 5,123,269	$ 9,471,717	$ 2,803,290	$ 1,609,901	$ 6,030,302	($ 2,079,456)	($ 255,079)	($ 272,066)	$ 22,431,878	$ 5,810,641	$ 28,242,519

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	Years ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,384,814	$ 883,038
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets at fair value through profit or loss	6(2)	-	318
Depreciation (including investment property)	6(9)(10)(11)(27)	3,731,024	2,954,109
Amortisation	6(12)(27)	109,263	78,603
Expected credit gain	12(2)	(7,799)	(5,703)
Interest expense	6(26)	350,318	290,555
Interest income	6(24)	(106,993)	(88,288)
Share of profit of associates accounted for using equity method	6(8)	(209,359)	(246,111)
Loss on disposal of property, plant and equipment	6(25)	13,204	189,077
Gain on disposal of investment	6(25)	(24,693)	(482,944)
Impairment loss - goodwill	6(25)	582,901	85,691
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(129,150)	-
Notes receivable, net		(135)	31,836
Accounts receivable		(2,782,212)	3,803,274
Accounts receivable from related parties		249,038	9,295
Other receivables		344,932	22,873
Other receivables from related parties		(27,805)	15,066
Inventories		1,966,163	(781,861)
Prepayments		(15,815)	230,936
Other current assets		29,543	266,855
Other non-current assets		248,808	(638,995)
Changes in operating liabilities			
Contract liabilities		162,935	624,287
Notes payable		(169,793)	(7,287)
Accounts payable		(706,112)	(2,828,842)
Accounts payables to related parties		(96,811)	(93,563)
Other payables		(184,667)	276,048
Current refund liabilities		1,210	19,363
Other current liabilities		390,646	(227,994)
Other non-current liabilities		225,162	41,248
Cash inflow generated from operations		6,328,617	4,420,884
Interest received		106,993	88,288
Dividend received		93,420	324,577
Interest paid		(337,187)	(293,527)
Income tax paid		(506,666)	(479,496)
Net cash flows from operating activities		5,685,177	4,060,726

(Continued)

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at fair value through other comprehensive income	12(3)	$ -	($ 165,075)
Acquisition of financial assets at amortised cost		(1,038,109)	(199,163)
Acquisition of subsidiary and other assets(excluding cash)	6(32)	(279,811)	2,573,125
Acquisition of investments accounted for under the equity method		-	(158,334)
Disposal of subsidiary (excluding cash)	6(35)	-	(214,843)
Acquisition of property, plant and equipment	6(35)	(3,396,916)	(5,384,825)
Proceeds from disposal of property, plant and equipment	6(9)	366,523	321,030
Acquisition of intangible assets	6(12)	(107,670)	(72,400)
Proceeds from disposal of intangible assets	6(12)	891	363
Increase on prepayments for investments	6(8)	(75,563)	(219,718)
Increase in right-of-use assets		(200,483)	-
Increase in prepayments for business facilities		(599,080)	(818,543)
Net cash flows used in investing activities		(5,330,218)	(4,338,383)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(36)	18,957,383	-
Decrease in short-term borrowings	6(36)	(18,376,663)	(3,654,810)
(Decrease) increase in short-term notes payable	6(36)	(119,953)	494,895
Proceeds from issuance of bonds	6(36)	3,000,000	-
Increase in long-term borrowings	6(36)	6,721,575	7,695,730
Repayment of long-term borrowings	6(36)	(8,670,858)	(4,762,142)
Repayment of lease liabilities	6(36)	(324,094)	-
Cash dividends paid	6(21)	(727,235)	(1,024,654)
Net cash flows from (used in) financing activities		460,155	(1,250,981)
Effect of change in exchange rates		(641,236)	19,870
Net increase (decrease) in cash and cash equivalents		173,878	(1,508,768)
Cash and cash equivalents at beginning of year		6,122,851	7,631,619
Cash and cash equivalents at end of year		$ 6,296,729	$ 6,122,851

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 31, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

(a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $1,769,346, increased 'lease liability' by $568,819 and decreased long-term prepaid rent by $1,200,527 with respect to the lease contracts of lessees on January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, and instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $113,310 was recognised for the year ended December 31, 2019.

(d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.12% to 2.3%.

(e) The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 556,276
Less: Short-term leases	(14,594)
Less: Low-value assets	(1,003)
Add: Lease contracts previously identified as service agreements	41,074
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	581,753
Incremental borrowing interest rate at the date of initial application	1.12%~2.3%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 568,819

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	Jaunary 1, 2020

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

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Financial assets at fair value through other comprehensive income.

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

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

c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership(%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018	Description
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	
The Company	Foxlink Technology Ltd. (FOXLINK TECH)	Holding company	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	
The Company	Suntain Co., Ltd. (Suntain)	Electroplating processing services	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
The Company	SINOBEST BROTHERS LIMITED (SINOBEST)	Holding company	100	-	Note 1
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	-	100	Note 3
CU	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	83.17	83.17	
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	49.98	49.98	
CU	Solteras Limited	General investments holding	100	100	
CU	Fu Shi Neng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	
CU	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	72	72	
CU	Fugang Electric (YANCHENG) Co., Ltd. (FG YANCHENG)	Manufacture of electronic telecommunication components	80	80	
CU	Fuqiang Electric (YANCHENG) Co., Ltd. (FQ YANCHENG)	Manufacture of electronic telecommunication components	100	100	
CU	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	32.86	32.86	
CU	Kunshan Fugang Investment Co., Ltd. (Kunshan Fugang Investment)	General investments holding	100	100	
CU	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	78.06	92.59	Note 7
CU	Fugang Electric (XuZhou) Co., Ltd. (FG XuZhou)	Manufacture of electronic telecommunication components	47.06	100	Note 2,14
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
NEW START	Changzhou Xinwei Vehicle Energy Venture Capital Co., Ltd. (Xinwei)	General investments holding	50	-	Note 1
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	
FTJ	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	50.02	50.02	
FTJ	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	28	28	
FTJ	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	50.71	50.71	
FTJ	Changde Fubo Intelligent Technology Co., Ltd (CDFB)	Manufacture and sale of automated equipment	85.37	-	Note 1
KAFE	Suzhou Keyu Rui Automobile Technology Co., Ltd. (Keyu Rui)	Manufacture	55.56	55.56	Note 2
KAFE	Foxlink Automotive Technology Co., Ltd. (FAT)	Manufacture of electronic telecommunication components	100	-	Note 1
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	
CULINK	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	21.94	7.41	Note 7
CULINK	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	0.73	0.73	Note 2
CULINK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORY SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	0.73	0.73	Note 2,11
CULINK	FUGANG ELECTRIC (XUZHOU) CO., LTD.	Manufacture of electronic telecommunication components	52.94	-	Note 2、14
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	
Kunshan Fugang Investment	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	16.83	16.83	
Kunshan Fugang Investment	Fuqiang Electric (MAANSHAN) Co., Ltd. (FQ MAANSHAN)	Manufacture of electronic telecommunication components	100	100	
Kunshan Fugang Investment	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	16.43	16.43	
FII	Link Media Co., Ltd. (LM)	Manufacture of electronic telecommunication components	100	100	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
FII	Shin Ke International Co., Ltd. (Shin Ke)	Manufacture of electronic telecommunication components	100	100	
FII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	23.67	23.67	Note 2,10
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	
WCTHK	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	
Du Precision	Ce Link International Ltd. (CELINK)	Manufacture of electronic telecommunication components	100	100	
SINOBEST	Foxlink Myanmar Company Limited (FOXLINK MYANMAR)	Manufacture of electronic telecommunication components	100	-	Note 1,5
SOLTERAS LIMITED	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	
FUII	VA Product Inc. (VA)	Manufacture of electronic telecommunication components	75.63	75.63	
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	
FUII	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	13.40	57.17	Note 5
FUII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	5.97	5.97	Note 2,10
Zhi De Investment	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	8.55	8.55	Note 2,10
Shinfox	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	100	10.71	Note 5
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	40	40	Note 6
Shinfox	Shinfox Natural Gas Co., Ltd. (Shinfox Natural Gas)	Energy service management	100	100	Note 13
Shinfox	KUNSHAN JUIWEI INFO TECH CO., LTD. (KUNSHAN JUIWEI)	Supply chain finance energy service management	100	100	
Shinfox	Foxwell Power Co., Ltd. (Foxwell Power)	Energy service management	100	-	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	
PROCONN	Byford International Ltd. (BYFORD)	General international trade	-	100	Note 3
PROCONN	Media Universe Inc. (MEDIA UNIVERSE)	General international trade	-	100	Note 3
ADVANCE ELECTRONIC	Proconn Technology Co., Ltd. (PROCONN)	General investments holding	-	100	Note 3
ADVANCE ELECTRONIC	Smart Technology International Ltd. (SMART)	General investments holding	100	100	
PROCONN	Proconn Electron Technology (Shenzhen) Co., Ltd. (Proconn ShenZhen)	Manufacture of electronic telecommunication components	-	100	Note 3
SMART	SUZHOU YUHANG ELECTRONICS TECH. CO., LTD.	Manufacture of electronic telecommunication components	100	100	
Studio A	Jing Sheng Technology Co., Ltd. (Jing Sheng)	Sale of electronic telecommunication components	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	100	100	Note 8
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	
Studio A Hong Kong	Studio A Macau Limited (Studio A Macau)	Sale of electronic telecommunication components	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd. (KFET)	Sale of electronic telecommunication components	51	51	
KFET	Shanghai Fugang Electric Trading Co., Ltd. (SFET)	Sale of electronic telecommunication components	100	100	
KFET	Kunshan Fu Shi Yu Trading Co., Ltd. (KFSY)	Sale of electronic telecommunication components	100	100	
KFET	Shanghai Standard Information Technology Co., Ltd. (Shanghai Standard)	Sale of electronic telecommunication components	100	-	Note 1
FIT Holding	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	100	100	Note 2,10
FIT Holding	Foxlink Image Technology Co., Ltd. (Foxlink Image)	Manufacture and sale of image scanners and multifunction printers	100	100	Note 2,10
FIT Holding	Glory Science Co., Ltd. (Glory Science)	Manufacture and sale of optical lens components and other products	100	100	Note 2,10
FIT Holding	Shih Fong Power Co., Ltd. (Shih Fong)	Energy service management	100	-	Note 1
PQI	Power Quotient International (H.K.) Co., Ltd. (PQI H.K.)	Sale of electronic telecommunication components	100	100	
PQI	Pqi Japan Co., Ltd. (PQI JAPAN)	Sale of electronic telecommunication components	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	
PQI	Power Sufficient International Co., Ltd. (PSI)	Sale of medical instruments	100	100	
PQI	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	-	89.29	Note 15
PQI	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	76.56	-	Note 15
SYSCOM	Power Quotient International (SHANGHAI) Co., Ltd. (PQI SHANGHAI)	Sale of electronic telecommunication components	-	-	Note 4
SYSCOM	Pqi Corporation (PQI USA)	Sale of electronic telecommunication components	100	100	
SYSCOM	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	99.27	99.27	Note 2
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	
APIX	Sinocity Industries Limited (Sinocity)	Sale of electronic telecommunication components	100	100	Note 5
APIX	Perennial Ace Limited (Perennial)	Specialized investments holding	100	100	
Foxwell Energy	Zhangyuan Wind Power Co., Ltd. (Zhangyuan)	Energy service management	100	100	Note 2
Foxwell Energy	Beiyuan Wind Power Co., Ltd. (Beiyuan)	Energy service management	100	100	Note 2
Sinocity Industries	DG LIFESTYLE STORE LIMITED (DG)	Sale of 3C products	100	100	Note 5
Perennial	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.5	24.5	
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co., Ltd. (Jiangsu Foxlink)	Manufacture of electronic telecommunication components	100	100	
Jiangsu Foxlink	Donghai County Cheng Uei Travel Industry Co., Ltd. (Donghai County)	Manufacture of electronic telecommunication components	-	-	Note 4,9
Foxlink Image	ACCU-IMAGE TECHNOLOGY LIMITED (AITL)	Manufacture and sale of image scanners and multifunction printers	100	100	Note 2
Foxlink Image	GLOBAL IMAGE TECHNOLOGY LIMITED (GITL)	Reinvestment business	-	100	Note 2,16

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2019	Ownership(%) December 31, 2018	Description
Foxlink Image	GLOBAL SMART TECHNOLOGY LIMITED (GSTL)	Reinvestment business	-	100	Note 2,16
GSTL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	100	100	Note 2
AITL	GLOBAL OUTLOOK INVESTMENTS LIMITED (GOI)	Reinvestment business	-	100	Note 2,16
AITL	GLOBAL ADVANCE INVESTMENTS CORP. (GAI)	Reinvestment business	-	100	Note 2,16
AITL	POWER CHANNEL LIMITED (POWER)	Reinvestment business	35.75	35.75	Note 2
AITL	Dongguan Fu Wei Electronics Co., Ltd. (Dongguan Fu Wei)	Manufacture and sale of image scanners and multifunction printers	100	100	Note 2
GAI	Kunshan Fushijing Electronics Co., Ltd. (KFE)	Manufacture of key components such as image lens modules	-	-	Note 2,4,12
GITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	-	100	Note 2,16
GOI	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	100	100	Note 2
Glory Science	GLORY TEK CO., LTD. (GLORY TEK)	General investments holding	100	100	Note 2
GLORY TEK	GLORY OPTICS CO., LTD. (GLORY OPTICS)	Sales agent	100	100	Note 2
GLORY TEK	GLORY TEK (SAMOA) CO., LTD. (GLORY TEK SAMOA)	General investments holding	100	100	Note 2
GLORY TEK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORYTEK SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	99.27	99.27	Note 2,11
GLORY TEK SAMOA	GLORY Photovoltaic (Suzhou) Co., Ltd. (GLORY Suzhou)	Production and processing and sale of optical lens components and other products	100	100	Note 2
GLORY TEK SAMOA	Glory Optics (Yancheng) Co., Ltd. (Glory Yanchang)	Production and processing and sale of optical lens components and other products	34.88	47.86	Note 2
GLORY OPTICS	Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Production and processing and sale of optical lens components and other products	100	100	Note 2
Yao Wei	Yancheng Yao Wei Technology Co., Ltd. (YYWT)	Production and processing and sale of optical lens components and other products	100	100	Note 2
GLORY Suzhou	Glory Optics (Yancheng) Co., Ltd. (GOYC)	Production and processing and sale of optical lens components and other products	65.12	52.14	Note 2

Note 1: Investment or incorporation began in 2019.

Note 2: Investment or incorporation began in 2018.

Note 3: Dissolved or liquidated in 2019.

Note 4: Dissolved or liquidated in 2018.

Note 5: With balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

Note 6: The Group holds 40% of shares in SHINFOX ENERGY. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.

Note 7: CU has participated in Foxlink India's capital increase on April 16, 2018 and May 25, 2018 and CULINK has participated in Foxlink India's capital increase on September 19, 2018 and September 5, 2019. After the capital increment, Foxlink India became a wholly-owned subsidiary of CU and CULINK with 82% and 18% ownership, respectively.

Note 8: On August 24, 2018, Studio A acquired an additional 42% ASHOP issued shares for a cash consideration of $34,389. After the acquisition, Studio A wholly owned ASHOP. For information on transactions with non-controlling interest, please refer to Note 6(31).

Note 9: On September 3, 2018, the Group lost its control over the subsidiary, Donghai County, as a result of the 100% stock disposal. The Group recognised profit of $54,139 under 'other gains and losses' in the statement of comprehensive income. For information on cash flows of the subsidiary, please refer to Note 6 (35).

Note 10: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date. The Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over FIT Holding.

Note 11: CULINK and GLORY TEK invested in GLORYTEK SCIENCE INDIA in January 2018 and GLORY TEK has participated in GLORYTEK SCIENCE INDIA's capital increase in April 2018, May 2018 and September 2018. After the capital increment, GLORYTEK SCIENCE INDIA became a wholly-owned subsidiary of CULINK and GLORY TEK with 0.73% and 99.27% ownership, respectively.

Note 12: KFE has completed cancellation of registration on October 31, 2018.

Note 13: Kinmen Gas Co., Ltd. was renamed to Shinfox Natural Gas Co., Ltd. on June 10, 2019.

Note 14: CULINK invested in FUGANG ELECTRIC (XUZHOU) CO., LTD. in December 2019. After the capital increment, FUGANG ELECTRIC (XUZHOU) CO., LTD. became a wholly-owned subsidiary of CULINK and CU with 52.94% and 47.06% ownership, respectively.

Note 15: Shinfox conducted a share swap with Foxwell Energy on December 27, 2019, which was classified as a reorganisation of entities under common control. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% and 13.40% ownership were held by PQI and FUII, respectively.

Note 16: To simplify the Group's structure, the shareholders at their meeting on December 16, 2019 resolved to merge the subsidiaries of the Group, ACCU-IMAGE TECHNOLOGY LIMITED, GLOBAL IMAGE TECHNOLOGY LIMITED, GLOBAL SMART TECHNOLOGY LIMITED and GLOBAL OUTLOOK INVESTMENTS LIMITED, with ACCU-IMAGE TECHNOLOGY LIMITED being the surviving company.

C. Subsidiaries not included in the consolidated financial statements:

			Ownership(%)		
Investor	Subsidiary	Main activity	December 31, 2019	December 31, 2018	Description
Foxlink International Investments Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	Note 1
Studio A INC. (Studio A)	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60	60	Note 2
CU	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	Note 3
Foxlink Image Technology Co., Ltd.	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	50	Note 3

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 3: On December 28, 2015, the Board of Directors has resolved the liquidation of the company, KLEINE. The liquidation process is still undergoing. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform with the balance sheet date of the Group.

FOXLINK MYANMAR is a subsidiary of SINOBEST in Myanmar with balance sheet date of March 31. For the preparation of consolidated financial statements, SINOBEST had required FOXLINK MYANMAR as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform to the balance sheet date of the consolidated financial statements.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018, the non-controlling interest amounted to $5,810,641 and $6,044,460, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2019		December 31, 2018	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
FIT Holding	Taiwan	$ 5,168,619	61.81%	$ 5,468,297	61.81%

Summarised financial information of the subsidiaries:

Balance sheets

	FIT Holding	
	December 31, 2019	December 31, 2018
Current assets	$ 6,740,195	$ 6,902,925
Non-current assets	11,467,723	8,837,102
Current liabilities	(5,813,251)	(5,169,736)
Non-current liabilities	(5,530,512)	(3,315,824)
Total net assets	$ 6,864,155	$ 7,254,467

Statements of comprehensive income

	FIT Holding	
	Years ended December 31,	
	2019	2018
Revenue	$ 8,840,159	$ 3,365,313
Loss before income tax	(228,130)	(138,511)
Income tax benefit (expense)	31,097	(32,553)
Loss for the year from continuing operations	(197,033)	(171,064)
Equity attributable to former owner of business combination under common control	(17,953)	(3,256)
Profit (loss) from non-controlling interest	9,979	(1,116)
Loss for the year	(189,059)	(166,692)
Other comprehensive income (loss net of tax)	413,575	(86,426)
Total comprehensive income (loss) for the year	$ 216,542	($ 257,490)
Comprehensive income (loss) attributable to non-controlling interest	$ 40	($ 2,520)
Dividends paid to non-controlling interest	$ -	$ -

Statements of cash flows

	FIT Holding	
	Years ended December 31,	
	2019	2018
Net cash provided by operating activities	$ 306,218	$ 158,720
Net cash (used in) provided by investing activities	(2,790,859)	1,513,366
Net cash provided by financing activities	1,750,749	166,080
Effect of exchange rates on cash and cash equivalents	(193,306)	(226,414)
(Decrease) increase in cash and cash equivalents	(927,198)	1,611,752
Cash and cash equivalents, beginning of year	2,747,502	1,135,750
Cash and cash equivalents, end of year	$ 1,820,304	$ 2,747,502

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

a) The operating results and financial position of all the group entities associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

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

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

a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realised within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

a) Liabilities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

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

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

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

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

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

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

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

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

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

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

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on actual capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

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

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

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

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

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

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

(15) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20~50 year(s)
Machinery and equipment	1~5 year(s)
Office equipment	3 year(s)
Miscellaneous equipment	3~8 year(s)

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

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

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets/ leases (lessee)

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

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 ~ 50 years.

(19) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 ~ 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Trademark right (indefinite useful life)

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortised cost where no impairment loss was recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. Goodwill for impairment testing purpose is allocated to cash generating units. This allocation is identified based on operating segments. Goodwill is allocated to a cash generating unit or a group of cash generating units that expects to benefit from business combination that will produce goodwill.

(21) Borrowings

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

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequentlymeasured at initial invoice amount as the effect of discounting is immaterial.

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

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

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(24) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(25) Derecognition of financial liabilities

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

(26) Offsetting financial instruments

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

(27) Non-hedging and embedded derivatives

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

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

(28) Employee benefits

A. Pensions

a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

i. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

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

iii. Past service costs are recognised immediately in profit or loss.

B. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(30) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

(31) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(32) Revenue recognition

A. The Group manufactures and sells electronic telecommunication component products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The goods is often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days, which is consistent with market practice.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(33) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(34) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(35) Reorganisation of entities under common control

A. The Group applies the related interpretations issued in R.O.C. for the intra-group reorganisation since there is no definite rules for business combinations (or referred as 'reorganisation') of entities under common control in IFRS 3, 'Business combinations' as explained in the IFRS Q&A 'explanations to IFRS 3 Business Combinations under Common Control' issued by Accounting Research and Development Foundation on October 26, 2018.

B. In accordance with Accounting Research and Development Foundation Interpretation ("ARDF Interpretation") 100-248, the Group recognised the intra-group reorganisation based on the carrying amounts of subsidiaries accounted for using equity method (net of impairment loss). The difference between the carrying amount and the consideration of the transaction will be adjusted in 'capital surplus - additional paid-in capital', which if insufficient, will decrease the retained earnings. The difference between initial investment cost and net equity will be accounted for by the entities after reorganisation.

(36) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

(1) Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

As of December 31, 2019, the Group's goodwill amount is $1,652,367. Please refer to Note 6(12) for detailed information.

(2) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the Group's inventory book value is $11,218,741. Please refer to Note 6(7) for detailed information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 44,235	$ 104,851
Checking accounts and demand deposits	4,892,329	4,055,986
Cash equivalents		
Time deposits	1,360,165	1,932,034
Short-term notes and bills	-	29,980
Total	$ 6,296,729	$ 6,122,851

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Assets items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profits or loss		
Non-capital guaranteed floating profit financial instruments	$ 129,150	$ -

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	December 31, 2019	December 31, 2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	$ 5,507	$ 1,024

B. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments	$ 1,231,207	$ 1,218,840
Unlisted stocks valuation adjustment	(294,452)	(178,498)
	$ 936,755	$ 1,040,342

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of December 31, 2019 and 2018, the fair value of such investments amounted to $936,755 and $1,040,342, respectively.

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

	Years ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive		
Fair value change recognised in other comprehensive income	($ 115,954)	($ 178,498)

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Repatriation of capital from Taiwan’s offshore companies	$ 953,868	$ -
Time deposits maturing over three months	321,562	350,415
Restricted deposits	8,926	1,585
Pledged time deposits	358,822	372,238
	$ 1,643,178	$ 724,238
Non-current items:		
Restricted deposits	$ 1,768	$ 3,916
Pledged time deposits	125,816	4,500
	$ 127,584	$ 8,416

Details of the Group’s financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 15,632,770	$ 12,850,558
Less: Loss allowance	(158,659)	(167,118)
	$ 15,474,111	$ 12,683,440

A. The information on the Group's ageing analysis of accounts receivable is provided in Note 12(2).

B. As of December 31, 2019 and 2018, accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $15,331,978.

C. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically whether the credit ranking of existing customers is appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

D. The Group does not hold any collateral as security.

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

(6) Transfer of financial assets

A. The Group entered into a factoring agreement with the banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

December 31, 2019

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Bank of Taiwan	$ 1,037,950	$ 1,037,950	$ 4,497,000	$ 934,155	$ 3,562,845	2.54%~2.75%	None
Citibank	743,008	743,008	743,008	743,008	-	2.79%~2.99%	None
Mega International Commercial Bank	711,452	711,452	1,499,000	640,306	858,694	2.52%~2.58%	None

December 31, 2018							
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount advanced for advance	Interest rate of amount advanced	Collateral Provided
Mega International Commercial Bank	$ 674,280	$ 674,280	$ 1,535,750	$ 606,852	$ 928,898	3.20%	None
Bank of Taiwan	1,985,246	1,985,246	4,607,250	1,786,720	2,820,530	2.83%~3.65%	None

B. For the years ended December 31, 2019 and 2018, the Group issued promissory notes to some banks for the factoring agreements signed.

(7) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,787,055	($ 110,259)	$ 3,676,796
Work in process	397,850	(7,309)	390,541
Finished goods (including merchandise)	7,473,329	(364,193)	7,109,136
Inventory in transit	42,268	-	42,268
	$ 11,700,502	($ 481,761)	$ 11,218,741

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,609,940	($ 236,367)	$ 4,373,573
Work in process	554,205	(13,225)	540,980
Finished goods (including merchandise)	8,647,799	(503,785)	8,144,014
Inventory in transit	82,913	-	82,913
	$ 13,894,857	($ 753,377)	$ 13,141,480

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of inventories sold	$ 88,015,831	$ 80,181,374
(Gain on reversal of) loss on decline in market value	(271,616)	188,271
Others (revenue from sale of scraps)	(141,645)	(119,490)
	$ 87,602,570	$ 80,250,155

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the year ended December 31, 2019.

(8) Investments accounted for using equity method

Investee	December 31, 2019 Amount	December 31, 2019 Ownership percentage (%)	December 31, 2018 Amount	December 31, 2018 Ownership percentage (%)
Central Motion Picture Corporation	$ 1,964,129	17.60%	$ 1,850,187	17.60%
Well Shin Technology Co., Ltd.	1,135,667	18.84%	1,143,635	18.84%
Sharetronic Data Technology Co., Ltd.	719,728	26.58%	648,878	26.58%
Castles Technology Co., Ltd.	207,238	16.14%	206,254	16.14%
Dongguan Banrin Robot Technology Co., Ltd.	124,573	31.03%	129,433	31.03%
CMPC Cultural & Creative Co., Ltd.	123,447	42.86%	123,285	42.86%
Kleine Developments Ltd.	62,969	100.00%	132,911	100.00%
Tegna Electronics Private Limited	38,816	30.00%	39,541	30.00%
Wellgen Medical Co., Ltd.	-	-	10,571	20.27%
Microlink Communications Inc.	(22,014)	21.43%	(22,903)	21.43%
	4,354,553		4,261,792	
Add : Current prepayments for investments -SINOBEST BROTHERS LIMITED	-		219,718	
Current prepayments for investments -JOURN TA BROTHERS LIMITED	78,235		-	
Credit balance of long-term equity investments reclassified to other non-current liabilities -others	22,014		22,903	
Total	$ 4,454,802		$ 4,504,413	

A. Associates

(a) The basic information of the associates that are material to the Group is summarised below:

Company name	Principal place of business	Shareholding ratio December 31, 2019	Shareholding ratio December 31, 2018	Nature of relationship	Methods of measurement
Central Motion Picture Corporation	Taiwan	17.60%	17.60%	Note 2	Equity method
Glory Science Co., Ltd.	Taiwan	Note 1	Note 1	Hold more than 20% of voting rights	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	Note 2	Equity method
Foxlink Image Technology Co., Ltd.	Taiwan	Note 1	Note 1	Hold more than 20% of voting rights	Equity method

Note 1: Please refer to Note 6(32) for detailed information.

Note 2: As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd., the Group is assessed to have significant influence.

(b) Summarised financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corporation	
	December 31, 2019	December 31, 2018
Current assets	$ 354,803	$ 293,856
Non-current assets	17,686,926	17,044,430
Current liabilities	(2,146,489)	(1,473,777)
Non-current liabilities	(3,252,973)	(3,873,715)
Total net assets	$ 12,642,267	$ 11,990,794
Share in associate's net assets	$ 1,964,129	$ 1,850,187
Goodwill	-	-
Carrying amount of the associates	$ 1,964,129	$ 1,850,187

	Well Shin Technology Co., Ltd.	
	December 31, 2019	December 31, 2018
Current assets	$ 4,786,552	$ 5,366,776
Non-current assets	2,946,899	2,945,472
Current liabilities	(1,439,825)	(2,008,768)
Non-current liabilities	(460,569)	(439,282)
Total net assets	$ 5,833,057	$ 5,864,198
Share in associate's net assets	$ 1,099,078	$ 1,107,046
Goodwill	36,589	36,589
Carrying amount of the associates	$ 1,135,667	$ 1,143,635

Statement of comprehensive income

	Central Motion Picture Corporation	
	Years ended December 31,	
	2019	2018
Revenue	$ 546,494	$ 567,577
Profit for the year from continuing operations	$ 104,029	$ 85,641
Other comprehensive income, net of tax	-	-
Total comprehensive income	$ 104,029	$ 85,641
Dividends received from associates	$ 12,000	$ 15,000

	Well Shin Technology Co., Ltd.	
	Years ended December 31,	
	2019	2018
Revenue	$ 4,861,898	$ 5,522,112
Profit for the year from continuing operations	$ 531,634	$ 709,301
Other comprehensive loss, net of tax	(148,874)	(60,025)
Total comprehensive income	$ 382,760	$ 649,276
Dividends received from associates	$ 77,988	$ 71,304

(c) The carrying amount of the Group's interests in all individually immaterial associates (Note) and the Group's share of the operating results are summarised below:

As of December 31, 2019 and 2018, the carrying amount of the Group's individually immaterial associates amounted to $1,254,757 and $1,267,970, respectively.

	Years ended December 31, 2019	Years ended December 31, 2018
Profit (loss) for the year from continuing operations	$ 407,884	($ 87,399)
Total comprehensive income (loss)	$ 407,884	($ 87,399)

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink and Kleine, Banrin, TEGNA.

(d) The fair value of the Group's material associates with quoted market prices is as follows:

	December 31, 2019	December 31, 2018
Well Shin Technology Co., Ltd.	$ 1,123,034	$ 1,140,860

B. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to $150,000 thousand. As of December 31, 2019, uncollected amount was $143,000 thousand (shown as 'notes receivable') and accrued impairment loss was $143,000 thousand.

C. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company had accrued an additional loss amounting to $170,136 within the scope of legal obligations. As of March 31, 2020, the liquidation process is still ongoing.

D. Central Motion Picture Corporation is a litigating party contesting the decision No. 107007 rendered by Ill-gotten Party Assets Settlement Committee on October 9, 2018. Please refer to Note 9(2) for details on the lawsuit.

E. Wellgen Medical Co., Ltd. increased its capital in February 2019. The Group did not acquire shares proportionally to its interest. As a result, the Group lost its significant influence. Subsequently, gains on disposal of the aforementioned investments amounting to $7,812 were generated from reclassifying the investments to financial assets measured at fair value through other comprehensive income. Details are provided in Notes 6(25) and 12(3).

(9) Property, plant and equipment

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in -progress	Total
At January 1							
Cost	$ 412,428	$ 15,681,815	$ 9,383,027	$ 412,958	$ 6,549,376	$ 1,600,789	$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875
Opening net book amount	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875
Additions	-	331,901	1,478,851	57,729	439,069	836,744	3,144,294
Acquired from business combinations	-	-	-	-	-	691,860	691,860
Disposals	-	(136,714)	(158,143)	(24,618)	(60,252)	-	(379,727)
Reclassifications	-	1,335,633	1,107,640	57,939	190,618	(620,350)	2,071,480
Depreciation charge	-	(409,777)	(1,948,223)	(88,657)	(914,687)	-	(3,361,344)
Net exchange differences	-	(381,528)	(172,542)	(4,320)	(102,694)	(70,371)	(731,455)
Closing net book amount	$ 412,428	$ 13,057,452	$ 5,223,558	$ 171,128	$ 2,094,745	$ 2,438,672	$ 23,397,983
At December 31							
Cost	$ 412,428	$ 16,258,559	$ 11,169,824	$ 479,338	$ 6,822,800	$ 2,438,672	$ 37,581,621
Accumulated depreciation and impairment	-	(3,201,107)	(5,946,266)	(308,210)	(4,728,055)	-	(14,183,638)
	$ 412,428	$ 13,057,452	$ 5,223,558	$ 171,128	$ 2,094,745	$ 2,438,672	$ 23,397,983

	2018						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in -progress	Total
At January 1							
Cost	$ 412,428	$ 14,534,259	$ 6,865,734	$ 361,552	$ 5,500,785	$ 878,873	$ 28,553,631
Accumulated depreciation and impairment	-	(2,640,474)	(3,240,495)	(227,670)	(2,915,829)	-	(9,024,468)
	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163
Opening net book amount	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163
Additions	-	526,997	938,271	110,496	1,015,395	2,704,298	5,295,457
Acquired from business combinations	-	622,241	1,074,680	4,611	17,182	-	1,718,714
Disposals	-	(8,149)	(381,749)	(11,144)	(109,065)	-	(510,107)
Disposal of subsidiaries	-	-	-	(434)	(6,055)	(1,100,786)	(1,107,275)
Reclassifications	-	(148,293)	1,293,969	21,759	-	(774,636)	392,799
Depreciation charge	-	(357,408)	(1,577,742)	(84,821)	(911,890)	-	(2,931,861)
Net exchange differences	-	(211,236)	(56,693)	(1,294)	(47,832)	(106,960)	(424,015)
Closing net book amount	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875
At December 31							
Cost	$ 412,428	$ 15,681,815	$ 9,383,027	$ 412,958	$ 6,549,376	$ 1,600,789	$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875

The Group’s property, plant and equipment were pledged to others as collaterals, please refer to Note 8 for detailed information.

(10) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land, buildings, transportation equipment. Rental contracts are typically made for periods of 2 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 1,437,055	$ 58,755
Buildings	377,551	284,071
Transportation equipment (Business vehicles)	2,235	2,527
Office equipment (Photocopiers)	17	52
	$ 1,816,858	$ 345,405

C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to $477,282.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 9,577
Expense on short-term lease contracts	112,581
Expense on leases of low-value assets	713
Expense on variable lease payments	39,894

E. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to $447,282.

F. Variable lease payments

(a) Some of the Group's lease contracts contain variable lease payment terms that are linked to sales generated from a store or a counter in a department store and sales generated from electricity sold. For aforementioned contracts, up to 8.36% of lease payments are on the basis of variable payment terms and are accrued based on the sales amount. Variable payment terms are used for a variety of reasons and various lease payments that depend on sales are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(b) A 1% increase in the aggregate sales amount of all stores with such variable lease contracts would increase total lease payments by approximately $399.

G. On November 9, 2016, the Board of Directors of PQI's subsidiary, Jiangsu Foxlink New Energy Technology Co., Ltd. (hereinafter referred to as "Jiangsu Foxlink"), resolved to participate in the bid of Ministry of Land and Resources of the People's Republic of China. On November 17, 2016, the subsidiary acquired the ownership of land for residential/commercial use and industrial use over the lease terms of 40 to 70 years. As of December 31, 2019, Jiangsu Foxlink received government grants to build the plant amounting to RMB 200,601 thousand (shown as 'other non-current liabilities').

(11) Investment property

	2019		
	Land	Buildings and structures	Total
At January 1			
Cost	$ 183,076	$ 212,948	$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	$ 183,076	$ 107,416	$ 290,492
Opening net book amount	$ 183,076	$ 107,416	$ 290,492
Reclassifications	-	322,875	322,875
Depreciation charge	-	(9,295)	(9,295)
Net exchange differences	-	(12,298)	(12,298)
Closing net book amount	$ 183,076	$ 408,698	$ 591,774
At December 31			
Cost	$ 183,076	$ 445,193	$ 628,269
Accumulated depreciation and impairment	-	(36,495)	(36,495)
	$ 183,076	$ 408,698	$ 591,774

	2018		
	Land	Buildings and structures	Total
At January 1			
Cost	$ 65,923	$ 512,762	$ 578,685
Accumulated depreciation and impairment	-	(340,892)	(340,892)
	$ 65,923	$ 171,870	$ 237,793
Opening net book amount	$ 65,923	$ 171,870	$ 237,793
Acquired from business combinations	117,153	14,685	131,838
Reclassifications	-	(58,658)	(58,658)
Depreciation charge	-	(22,248)	(22,248)
Net exchange differences	-	1,767	1,767
Closing net book amount	$ 183,076	$ 107,416	$ 290,492
At December 31			
Cost	$ 183,076	$ 212,948	$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	$ 183,076	$ 107,416	$ 290,492

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2019	2018
Rental income from the lease of the investment property	$ 16,362	$ 28,714
Direct operating expenses arising from the investment property that generated rental income in the year	$ 9,295	$ 22,598

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at December 31, 2019 and 2018 was $1,023,016 and $560,350, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby, as Level 2 fair value, market prices did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collaterals.

(12) Intangible assets

	2019				
	Trademark Rights	Patent	Goodwill	Others	Total
At January 1					
Cost	$ 51,283	$ 451,126	$ 3,920,751	$ 261,705	$ 4,684,865
Accumulated amortisation and impairment	(19)	(8,824)	(1,646,853)	(149,991)	(1,805,687)
	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178
Opening net book amount	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178
Additions	-	-	-	107,670	107,670
Disposals	-	-	-	(891)	(891)
Amortisation charge	(76)	(35,296)	-	(73,891)	(109,263)
Impairment loss	-	-	(582,901)	-	(582,901)
Net exchange differences	(1,215)	-	(38,631)	(1,999)	(41,845)
Closing net book amount	$ 49,973	$ 407,006	$ 1,652,366	$ 142,603	$ 2,251,948
At December 31					
Cost	$ 50,068	$ 451,126	$ 3,882,120	$ 303,904	$ 4,687,218
Accumulated amortisation and impairment	(95)	(44,120)	(2,229,754)	(161,301)	(2,435,270)
	$ 49,973	$ 407,006	$ 1,652,366	$ 142,603	$ 2,251,948

	2018				
	Trademark Rights	Patent	Goodwill	Others	Total
At January 1					
Cost	$ 49,202	$ -	$ 2,476,388	$ 183,311	$ 2,708,901
Accumulated amortisation and impairment	-	-	(1,561,162)	(143,438)	(1,704,600)
	$ 49,202	$ -	$ 915,226	$ 39,873	$ 1,004,301
Opening net book amount	$ 49,202	$ -	$ 915,226	$ 39,873	$ 1,004,301
Additions-aquired separately	-	-	-	72,400	72,400
Additions-acquired through business combinations	502	451,126	1,423,788	43,497	1,918,913
Disposals	-	-	-	(363)	(363)
Amortisation charge	(19)	(8,824)	-	(42,799)	(51,642)
Impairment loss	-	-	(85,691)	-	(85,691)
Net exchange differences	1,579	-	20,575	(894)	21,260
Closing net book amount	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178
At December 31					
Cost	$ 51,283	$ 451,126	$ 3,920,751	$ 261,705	$ 4,684,865
Accumulated amortisation and impairment	(19)	(8,824)	(1,646,853)	(149,991)	(1,805,687)
	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178

A. Please refer to Note 6(32) for the information about the Group's intangible assets acquired through business combination.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	December 31, 2019					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	$ 422,764	$ 715,197	$ -	$ 118,258	$ -	$ 1,256,219
Hong Kong	-	-	384,540	-	-	384,540
All other segments	-	-	-	-	11,607	11,607
	$ 422,764	$ 715,197	$ 384,540	$ 118,258	$ 11,607	$ 1,652,366

	December 31, 2018					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	$ 708,591	$ 715,197	$ -	$ 334,167	$ -	$ 1,757,955
Hong Kong	-	-	504,336	-	-	504,336
All other segments	-	-	-	-	11,607	11,607
	$ 708,591	$ 715,197	$ 504,336	$ 334,167	$ 11,607	$ 2,273,898

C. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. The Group performs impairment testing annually.

D. In 2019 and 2018, the Group recognized impairment loss as follows:

	Years ended December 31,	
	2019	2018
Impairment loss-goodwill		
3C component	$ 285,827	$ -
Memory module	215,909	85,691
3C product retail	81,165	-
	$ 582,901	$ 85,691

E. The goodwill of 3C component was amortised to Glory Science's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The main assumptions for calculation are as follows:

Discount rate is a pre-tax rate measured using the Taiwan government 10-year bond yield, which is the same currency with cash flow. Risk premium will be adjusted in order to reflect the equity's incremental risk and the cash generating unit's specific systematic risk of the general investments.

Due to the changes in customer orders as well as removals and replacements of old model phones, the scale of operations was reduced as a result of the poor capacity utilisation. In addition, the overall economic environment is affected by coronavirus pandemic. Based on the Group's assessment, an impairment loss of $285,827 was recognised for the goodwill for the year ended December 31, 2019, shown as 'other gains and losses' in the statement of comprehensive income, due to the recoverable amount of Glory Science is less than the carrying amount.

F. The goodwill of memory module were amortised to PQI's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The main assumptions for calculation is as follows:

Discount rate is a pre-tax rate measured using the Taiwan government 10-year bond yield, which is the same currency with cash flow. Risk premium will be adjusted in order to reflect the equity's incremental risk and the cash generating unit's specific systematic risk of the general investments.

Due to the market shrinkage in Japan during the current year, the revenue decline, and no effective benefits arising from transforming its business model to sell mobile peripheral products, Power Quotient International Co., Ltd.'s recoverable amount is less than the book value as assessed, therefore, the Group recognised impairment loss on goodwill amounting to $215,909 and $85,691 in the statement of comprehensive income within 'other gains and losses' for the years ended December 31, 2019 and 2018, respectively.

G. The goodwill of computer, communication and consumer electronics product retails and trademarks with indefinite useful life were amortised to PQI's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The main assumptions for calculation is as follows:

Discount rate is a pre-tax rate measured using the Hong Kong government 10-year bond yield, which is the same currency with cash flow. Risk premium will be adjusted in order to reflect the equity's incremental risk and the cash generating unit's specific systematic risk of the general investments.

The operation of SINOCITY INDUSTRIES LIMITED was affected by the decrease in the number of operating branches and the impact of anti-government protests in Hong Kong. In addition, the operating revenue after the investment is not as expected as the capacities of supply chains was impacted by the outbreak of coronavirus in the end of 2019. Based on the Group's assessment, an impairment loss of $81,165 was recognised for the goodwill year ended December 31, 2019, shown as 'other gains and losses' in the statement of comprehensive income, due to the recoverable amount of SINOCITY INDUSTRIES LIMITED is less than the carrying amount.

(13) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 2,038,744	0.82%~1.9%	-

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 1,458,024	0.88%~2.1%	-

(14) Short-term notes and bills payable

	December 31, 2019	December 31, 2018
Commercial paper	$ 375,300	$ 495,000
Discount amortisation	(358)	(105)
	$ 374,942	$ 494,895
Annual interest rate range	0.95%~1.76%	0.91%~1.038%

(15) Other payables

	December 31, 2019	December 31, 2018
Payables on salary and bonus	$ 2,016,126	$ 1,941,837
Employees' compensation and remuneration for supervisors and directors	341,874	98,544
Payables on equipment	548,763	801,385
Others	2,964,223	3,295,558
	$ 5,870,986	$ 6,137,324

(16) Bonds payable

	December 31, 2019
Secured corporate bonds	$ 3,000,000
Less: Discount on bonds payable	(12,345)
	$ 2,987,655

The main terms of the $3,000,000 1st secured corporate bonds issued by the Company on June 26, 2019 are as follows:

A. Total initial issue amount: $3,000,000.

B. Issue price: Issue at par value, $1,000 each.

C. Issue period: 5 years, from June 26, 2019 to June 26, 2024.

D. Coupon rate: 0.80% fixed per annum.

E. Interest payment method: Interest is calculated from the date of issuance at the coupon rate, is a simple interest and is paid yearly.
F. Principal repayment method: Pay entire amount at the maturity date.
G. Guarantee method:

The joint guarantor banks including CTBC Bank Co., Ltd. Taiwan Cooperative Bank Co., Ltd., Mega International Commercial Bank Co., Ltd. and Chang Hwa Commercial Bank, Ltd. provide guarantees based on a joint engagement guarantee contract and bond-fulfilling guarantee obligation contract.

H. Commitment:

The company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

a. Current assets to current liabilities ratio of at least 1:1;
b. Liabilities not exceeding 200% of tangible net equity;
c. Interest coverage of at least 400%; and
d. Tangible net equity of at least NT$15,000,000 thousand.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2019
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to May 2022 pay entire amount when due	1.20%~1.40%	$ 3,300,000	$ 700,000
- without covenants	Borrowing period is from December 2017 to July 2024 pay entire amount when due	1.16%~1.40%	2,399,300	2,030,000
FIT Holding	Borrowing period is from October 2019 to April 2021 pay entire amount of principal when due, interest is repayable monthly	1.12%	-	300,000
Foxlink Image	Borrowing period is from April 2019 to December 2022 pay entire amount of principal when due, interest is repayable monthly	1.12%~1.23%	-	2,300,000
PQI	Borrowing period is from April 2015 to December 2021 pay principal based on each bank's regulations, interest is repayable monthly	1.48%~1.6%	16,683	387,028
Glory Science	Borrowing period is from December 2018 to July 2024 pay principal when due, interest is calculated monthly	1.14%~1.26%	-	462,000
Shinfox	Borrowing period is from January 2015 to February 2023 pay entire amount in installments	1.97%~2.01%	55,817	33,378
Foxwell Energy	Borrowing period is from January 2015 to September 2033 pay principal monthly	1.75%	306,709	41,487
Zhangyuan	Borrowing period is from May 2019 to October 2035 pay principal monthly	1.59%~2.02%	253,042	276,958
Bank's secured borrowings				
Foxwell Energy	Borrowing period is from May 2018 to September 2034 pay principal monthly, interest is repayable monthly in the first 18 months	1.75%~1.8%	337,392	340,891
Glory Science	Borrowing period is from December 2019 to December 2024 pay principal monthly, interest is repayable monthly in the first 18 months	1.26%	-	100,000
Beiyuan	Borrowing period is from November 2019 to June 2036 pay principal monthly	1.75%~2.22%	284,749	336,251
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,400,000	5,600,000
				12,907,993
Less: Current portion				(869,539)
				$ 12,038,454

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2018
Long-term loan borrowings				
Bank's unsecured borrowings				
Cheng Uei				
- including covenants	Borrowing period is from September 2017 to December 2020 pay entire amount when due	1.20%~1.55%	$ 1,000,000	$ 2,500,000
- without covenants	Borrowing period is from December 2017 to December 2020 pay entire amount when due	1.20%~1.50%	1,015,025	3,300,000
Foxlink Image	Borrowing period is from June 2018 to December 2020 pay entire amount in installments	1.12%~1.25%	245,000	1,755,000
PQI	Borrowing period is from January 2016 to November 2019 pay entire amount in installments	1.48%~1.797%	2,556	836,917
Glory Science	Borrowing period is from November 2018 to December 2020 pay entire amount in installments	1.04%~1.25%	50,000	242,365
Shinfox	Borrowing period is from January 2015 to March 2022 pay entire amount when due	1.97%~2.095%	14,729	30,357
Foxwell Energy	Borrowing period is from December 2018 to December 2023 pay entire amount in installments	1.6702%~1.8%	-	58,086
Bank's secured borrowings				
Shinfox	Borrowing period is from July 2014 to July 2024 pay entire amount in installments	1.85%~1.95%	-	1,190
Foxwell Energy	Borrowing period is from May 2018 to November 2019 pay entire amount monthly	1.797%~1.85%	-	33,361
Medium-term and long-term syndicated loans				
Cheng Uei	Borrowing period is from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,900,000	6,100,000
				14,857,276
Less: Current portion				(847,185)
				$ 14,010,091

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarised below:

(a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.

(b) Credit line and draw-down: The credit line was NT$8,000,000 thousand, which can be drawn down in installments of at least NT$100,000 thousand per draw-down.

(c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company's option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the old one before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.

(d) Commitment: The Company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

i. Current assets to current liabilities ratio of at least 1:1;

ii. Liabilities not exceeding 200% of tangible net equity;

iii. Interest coverage of at least 400%; and

iv. Tangible net equity of at least NT$15,000,000 thousand.

(e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.

B. The Company entered into the borrowing contracts with O-bank, Bank SinoPac, Taipei Fubon and Far Eastern International Bank, and the total credit line is $4,000,000 thousand. As of December 31, 2019, the borrowings that have been used amounted to $700,000 thousand. In the duration period of these contracts, the financial ratios in the semi-annual consolidated and annual consolidated financial statements shall be as follows:

(a) Current assets to current liabilities ratio of at least 1:1;

(b) Liabilities not exceeding 200% of tangible net equity;

(c) Interest coverage of at least 400%; and

(d) Tangible net equity of at least NT$15,000,000 thousand.

C. As of December 31, 2019, the borrowings that have been used amounted to as follows:

Company	Bank	Credit line		Amount of borrowings used	
The Company	Cathay Bank	$	500,000	$	500,000
The Company	Mizuho Bank		900,000		900,000
The Company	E.Sun Bank		500,000		-
The Company	DBS Bank	USD	35,000,000		-
The Company	First Bank		500,000		400,000
The Company	Export-Import Bank of Republic of China		480,000		230,000
The Company	Jih Sun International Bank		500,000		-
FIT Holding	Yuanta Commercial Bank		300,000		300,000
FIT Holding	Bank SinoPac		1,650,000		365,000
FIT Holding	TS Bank		250,000		250,000
Foxlink Image	Hua Nan Commercial Bank		200,000		200,000
Foxlink Image	E.Sun Bank		400,000		300,000

Company	Bank	Credit line	Amount of borrowings used
Foxlink Image	Jih Sun International Bank	$ 300,000	$ 300,000
Foxlink Image	KGI Bank	400,000	400,000
Foxlink Image	Mega Commercial Bank	300,000	300,000
Foxlink Image	Taiwan Cooperative Bank	500,000	500,000
Foxlink Image	Cathay Bank	300,000	300,000
Foxlink Image	Export-Import Bank of Republic of China	500,000	245,000
PQI	Chang Hwa Commercial Bank	65,833	20,833
PQI	E.Sun Bank	18,278	18,278
PQI	Yuanta Commercial Bank	300,000	300,000
PQI	Hua Nan Commercial Bank	100,000	83,317
PQI	Bank SinoPac	300,000	227,000
PQI	First Bank	90,000	6,000
Glory Science	Export-Import Bank of Republic of China	192,000	192,000
Glory Science	Hua Nan Commercial Bank	100,000	100,000
Glory Science	Jih Sun International Bank	75,000	75,000
Glory Science	Chang Hwa Commercial Bank	195,000	195,000
Glory Science	TSBank	250,000	142,000
Glory Science	Bank SinoPac	200,000	200,000
Glory Science	Taipei Fubon	250,000	250,000
Glory Science	First Bank	90,000	90,000
Glory Science	KGI Bank	200,000	144,000
Shinfox	Mega Commercial Bank	10,480	3,493
Shinfox	Shanghai Commercial & Savings Bank, Ltd.	23,943	23,943
Shinfox	Chang Hwa Commercial Bank	54,772	5,942
Foxwell Energy	TSBank	95,749	48,436
Foxwell Energy	Mega Commercial Bank	335,517	263,023
Foxwell Energy	Bank SinoPac	595,213	70,919
Zhangyuan	Bank SinoPac	530,000	276,958
Beiyuan	E. Sun Bank	321,200	225,060
Beiyuan	E. Sun Bank	USD 10,000,000	111,191

(18) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labour Standards Act, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labour standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labour pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 383,840)	($ 350,816)
Fair value of plan assets	169,942	171,730
Net defined benefit liability	($ 213,898)	($ 179,086)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 350,816)	$ 171,730	($ 179,086)
Current service cost	(2,435)	-	(2,435)
Interest (expense) income	(3,611)	1,363	(2,248)
Past service cost	(27,349)	-	(27,349)
	(384,211)	173,093	(211,118)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	4,193	4,193
Change in financial assumptions	(11,893)	-	(11,893)
Experience adjustments	848	1,494	2,342
	(11,045)	5,687	(5,358)
Pension fund contribution	-	2,578	2,578
Paid pension	11,416	(11,416)	-
Effect of business combination	-	-	-
Balance at December 31	($ 383,840)	$ 169,942	($ 213,898)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 326,572)	$ 85,755	($ 240,817)
Current service cost	(5,245)	-	(5,245)
Interest (expense) income	(3,463)	394	(3,069)
Past service cost	-	-	-
	(335,280)	86,149	(249,131)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	(4,455)	-	(4,455)
Experience adjustments	(5,257)	-	(5,257)
	(9,712)	-	(9,712)
Pension fund contribution	-	52,854	52,854
Paid pension	26,769	(26,769)	-
Effect of business combination	(32,593)	59,496	26,903
Balance at December 31	($ 350,816)	$ 171,730	($ 179,086)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	0.70%~1.13%	1.00%
Future salary increases	2.00%~5.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	$ 8,206	($ 8,501)	($ 7,470)	$ 7,263
December 31, 2018				
Effect on present value of defined benefit obligation	$ 7,883	($ 8,180)	($ 7,257)	$ 7,045

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $30,000.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 10 years.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the years ended December 31, 2019 and 2018 is between 10.2%~21%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the abovementioned defined contribution pension plan for the years ended December 31, 2019 and 2018 were $892,103 and $843,459, respectively.

(19) Share capital

A. As of December 31, 2019, the Company's authorised common stock was $7,000,000 (including 50,000,000 shares reserved for the issuance of employees' warrants), and the issued and outstanding shares were both 484,823,940 shares, with a par value of $10 (in dollars) per share.

B. Treasury shares

Before becoming a subsidiary, Foxlink Image Technology Co.,Ltd. held parent's capital stock for general investment purpose. The company did not purchase more equity instruments after acquiring control over Foxlink Image on October 1, 2018. As of December 31, 2019 and 2018, the detailed information of Foxlink Image's parent equity shares is as follows:

	December 31, 2019	December 31, 2018
Thousand shares	27,503	27,503
Book value	$ 272,066	$ 272,066

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	$ 9,337,850	$ 3,065	$ 7,313	$ 3,374	$ 78,860	$ 9,430,462
Cash dividends distributed to subsidiaries	-	41,255	-	-	-	41,255
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	-	-
At December 31	$ 9,337,850	$ 44,320	$ 7,313	$ 3,374	$ 78,860	$ 9,471,717

	2018					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	$ 9,337,850	$ 3,065	$ 7,313	$ 3,234	$ 117,203	$ 9,468,665
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	140	(38,343)	(38,203)
At December 31	$ 9,337,850	$ 3,065	$ 7,313	$ 3,374	$ 78,860	$ 9,430,462

(21) Retained earnings/Subsequent events

A. Based on the Company's Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.

B. According to the Company’s Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders’ bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company’s paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(c) As of January 1, 2018, the amounts previously set aside by the Company as special reserve for the initial application of IFRSs amounted to $665,206. Furthermore, the Company did not reverse special reserve to retained earnings for the years ended December 31, 2019 and 2018 as a result of the use, disposal or reclassification of related assets. As of December 31, 2019, and 2018, the amount of special reserve set aside for the initial application of IFRSs all amounted to $665,206.

E. (a) The Company recognised dividends distributed to owners amounting to $768,490 and $1,024,654 for the years ended December 31, 2019 and 2018, respectively. Details of the appropriation of 2018's and 2017's net income which was resolved at the stockholders' meeting on June 12, 2019 and June 8, 2018 are as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	$ 60,810	$ -	$ 133,459	$ -
Special reserve	101,605	-	843,090	-
Cash dividends	768,490	1.5	1,024,654	2.0
Total	$ 930,905	$ 1.5	$ 2,001,203	$ 2.0

(b) The appropriation of 2019 earnings had been proposed by the Board of Directors on March 31, 2020. Details are summarized below:

	Year ended December 31, 2019	
	Amount	Dividend per share (NTD)
Legal reserve	$ 198,736	$ -
Special reserve	724,633	-
Cash dividends	1,280,817	2.5
Total	$ 2,204,186	$ 2.5

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(22) Other equity items

	2019		
	Financial assets at fair value through other comprehensive income	Translation of foreign financial statements	Total
At January 1	($ 315,491)	($ 1,294,410)	($ 1,609,901)
Valuation adjustment	60,412	-	60,412
Currency translation differences:			
- Group	-	(750,834)	(750,834)
- Associates	-	(34,212)	(34,212)
At December 31	($ 255,079)	($ 2,079,456)	($ 2,334,535)

	2018			
	Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Translation of foreign financial statements	Total
At January 1	$ -	$ 64,731	($ 907,821)	($ 843,090)
Adjustments under new standards	(11,540)	(64,731)	-	(76,271)
Balance at January 1 after adjustments investments	(11,540)	-	(907,821)	(919,361)
Valuation adjustment	(303,951)	-	-	(303,951)
Currency translation differences:				
- Group	-	-	(355,106)	(355,106)
- Associates	-	-	(31,483)	(31,483)
At December 31	($ 315,491)	$ -	($ 1,294,410)	($ 1,609,901)

(23) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods over time and at a point in time in the following major product lines and generates related revenue in each reportable segment:

	Years ended December 31,	
	2019	2018
Systems and peripheral products	$ 44,264,157	$ 36,382,185
3C component	40,462,571	38,878,009
3C product retail	12,443,435	12,055,399
Others	650,173	595,368
Total	$ 97,820,336	$ 87,910,961

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018
Contract liabilities:		
Contract liabilities-advance sales receipts	$ 787,222	$ 624,287

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	$ 422,934	$ 397,749

(24) Other income

	Years ended December 31,	
	2019	2018
Interest income from bank deposits	$ 106,993	$ 88,288
Rental revenue	16,362	28,714
Other revenue-other	475,722	430,723
	$ 599,077	$ 547,725

(25) Other gains and losses

	Years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	($ 13,204)	($ 189,077)
Gain on disposal of investments	24,693	482,944
Net currency exchange gains	193,706	207,324
Impairment loss	(582,901)	(85,691)
Other gains and losses	22,712	(162,267)
	($ 354,994)	$ 253,233

(26) Finance costs

	Years ended December 31, 2019		Years ended December 31, 2018	
Interest expense:				
Bank borrowings	$	340,390	$	290,555
Lease liabilities		9,928		-
	$	350,318	$	290,555

(27) Expenses by nature

	Years ended December 31, 2019		Years ended December 31, 2018	
Employee benefit expense	$	14,882,394	$	15,012,907
Depreciation expense		3,731,024		2,954,109
Amortisation charges on intangible assets		109,263		78,603
Transportation expenses		808,353		780,363
Advertising costs		65,674		101,665
Operating lease payments		153,188		896,855
Manufacture costs and operating expenses	$	19,749,896	$	19,824,502

(28) Employee benefit expense

	Years ended December 31, 2019		Years ended December 31, 2018	
Wages and salaries	$	12,308,852	$	12,465,497
Labour and health insurance fees		1,296,675		1,354,318
Pension costs		924,135		851,773
Other personnel expenses		352,732		341,319
	$	14,882,394	$	15,012,907

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $246,000 and $36,000, respectively; directors' and supervisors' remuneration was accrued at $10,000 and $3,000, respectively. The aforementioned amounts were recognised in salary expenses.

C. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year for the year ended December 31, 2019 and percentage as prescribed by the Company's Articles of Incorporation. The Board of Directors resolved the actual appropriation amounts of $246,000 and $10,000 and appropriated in cash in March 31, 2020.

D. Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved at the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2018.

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

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Tax payable incurred in current period	$ 633,729	$ 393,314
Prior year income tax under (over) estimation	23,073	(3,438)
Total current tax	656,802	389,876
Deferred tax:		
Origination and reversal of temporary differences	(59,324)	(124,805)
Impact of change in tax rate	-	73,782
Total deferred tax	(59,324)	(51,023)
Income tax expense	$ 597,478	$ 338,853

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

	Years ended December 31, 2019	Years ended December 31, 2018
Currency translation differences	($ 206,789)	($ 88,065)
Remeasurement of defined benefit obligations	(51)	(2,979)
Impact of change in tax rate	-	11,399
	($ 206,840)	($ 79,645)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 604,014	$ 299,442
Effect from items disallowed by tax regulation	(29,609)	42,849
Taxable loss not recognised as deferred tax assets	-	-
Prior year income tax under (over)estimation	23,073	(3,438)
Income tax expense	$ 597,478	$ 338,853

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

	2019 January 1	2019 Recognised in profit or loss	2019 Recognised in other comprehensive income	2019 December 31
Temporary differences:				
-Deferred tax assets:				
Bad debts expense	$ 20,332	$ 166	$ -	$ 20,498
Impairment losses on slow-moving inventory	37,761	(9,726)	-	28,035
Unrealised exchange (loss) gain	1,865	(390)	-	1,475
Unrealised profit from sales	9,712	74,114	-	83,826
Unrealised appropriation of pension	142	(142)	-	-
Remeasurement of defined benefit plan	14,031	(6,667)	51	7,415
Currency translation differences	49,579	-	206,789	256,368
Tax losses	106,484	(38,745)	-	67,739
Rent expense	-	717	-	717
Others	99,117	(12,375)	-	86,742
Subtotal	$ 339,023	$ 6,952	$ 206,840	$ 552,815
-Deferred tax liabilities:				
Gain on investments	($ 647,393)	$ 28,440	$ -	($ 618,953)
Unrealised exchange (loss) gain	(48,384)	48,384	-	-
Unrealised appropriation of pension	(6,814)	2,394	-	(4,420)
Remeasurement of defined benefit plan	(6,667)	6,667	-	-
Others	(139,013)	(33,513)	-	(172,526)
Subtotal	($ 848,271)	$ 52,372	$ -	($ 795,899)
Total	($ 509,248)	$ 59,324	$ 206,840	($ 243,084)

	2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combination	December 31
Temporary differences:					
-Deferred tax assets:					
Bad debts expense	$ 3,221	$ 2,326	$ -	$ 14,785	$ 20,332
Impairment losses on slow-moving inventory	22,095	3,370	-	12,296	37,761
Unrealised exchange (loss) gain	620	(5,623)	-	6,868	1,865
Unrealised profit from sales	23,421	(13,709)	-	-	9,712
Unrealised appropriation of pension	-	142	-	-	142
Remeasurement of defined benefit plan	9,463	1,028	3,540	-	14,031
Currency translation differences	-	-	29,660	19,919	49,579
Tax losses	41,279	65,205	-	-	106,484
Others	35,438	(53,939)	-	117,618	99,117
Subtotal	$ 135,537	($ 1,200)	$ 33,200	$ 171,486	$ 339,023
-Deferred tax liabilities:					
Gain on investments	($ 502,200)	$ 14,106	$ -	($ 159,299)	($ 647,393)
Unrealised exchange (loss) gain	(24,520)	(11,687)	-	(12,177)	(48,384)
Unrealised appropriation of pension	(3,185)	(3,629)	-	-	(6,814)
Remeasurement of defined benefit plan	(5,408)	(698)	(561)	-	(6,667)
Currency translation differences	(74,060)	-	74,060	-	-
Others	(7,447)	54,131	(27,054)	(158,643)	(139,013)
Subtotal	($ 616,820)	$ 52,223	$ 46,445	($ 330,119)	($ 848,271)
Total	($ 481,283)	$ 51,023	$ 79,645	($ 158,633)	($ 509,248)

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019				
Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2009-2019	$ 1,961,940	$ 1,961,940	$ 1,623,245	2019-2029

December 31, 2018				
Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008-2018	$ 2,336,414	$ 2,336,414	$ 1,803,994	2018-2028

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 2,262,799	$ 2,359,319

F. The latest year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	Status of Assessment
Jing Sheng, Jing Jing	Assessed and approved up to 2018
FUII, Zhi De Investment, FII, Shin Ke, Shinfox Natural Gas,WCT, DuPrecision, Proconn, Studio A, Link Media, Darts, Foxwell Energy, Suntain, Foxlink Image, Shinfox, Power Sufficient International, Glorly Science, Foxlink Automotive Technology	Assessed and approved up to 2017
The Company, VA product, PQI,	Assessed and approved up to 2016

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,987,361	484,824	$ 4.10
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,987,361	484,824	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,371	
of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,987,361	490,195	$ 4.05

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 608,100	505,525	$ 1.20
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 608,100	505,525	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,519	
of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 608,100	507,044	$ 1.20

(31) Transactions with non-controlling interest

A. On August 24, 2018, the Group acquired an additional 42% shares of ASHOP CO., LTD. (the "ASHOP") at total cash consideration of $34,389. The carrying amount of non-controlling interest in the ASHOP was $12,241 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $12,241 and a decrease in the equity attributable to owners of the parent by $22,148. The effect of changes in interests in the ASHOP on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Carrying amount of non-controlling interest acquired	$ 12,241
Consideration paid to non-controlling interest	(34,389)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	($ 22,148)

B. The Group did not conduct any transaction with non-controlling interest for the year ended December 31, 2019.

(32) Business combination

A. On June 14, 2019, the Group acquired 100% of the share capital of Shih Fong Power Co., Ltd. for $280,000 and obtained the control over Shih Fong Power Co., Ltd., whose main business is hydroelectric power plant development.

The fair values at the acquisition date of the paid consideration, assets acquired and liabilities assumed for acquiring Shih Fong Power Co., Ltd. are as follows:

	June 14, 2019
Purchase consideration	
Cash	$ 280,000
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	189
Prepayments	3,744
Property, plant and equipment	691,860
Other non-current assets	13,442
Notes payable	(169,252)
Other accounts payable	(167,748)
Total identifiable net assets	372,235
Gain recognised in bargain purchase transaction	($ 92,235)

B. Had Shih Fong Power Co., Ltd. been consolidated starting from January 1, 2019, the 2019 consolidated statement of comprehensive income would show operating revenue of $0 and loss before income tax of ($608).

C. The subsidiary, PQI, converted its stock with the investees, which are accounted for under the equity method, Foxlink Image and Glory Science, in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date.

The Group holds more than half of the seats in the Board of Directors of FIT Holding after the abovementioned stock conversion, therefore, FIT Holding is substantively determined as controlled by the Group.

Except that the stock conversion of subsidiary, PQI was a reorganisation within the Group, the stock conversion of Foxlink Image and Glory Science resulted in the two companies becoming the subsidiaries of FIT Holding on October 1, 2018 and controlled by the Group.

D. The following table summarises the consideration paid for the above subsidiaries and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the information on non-controlling interest at the acquisition date:

	October 1, 2018	
	Glory Science	Foxlink Image
Purchase consideration		
Equity instruments	$ -	$ -
Fair value of equity interest in acquired company held before the business combination	1,377,958	939,536
Fair value of the non-controlling interest	1,934,013	2,071,604
	3,311,971	3,011,140
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	842,123	1,731,002
Notes and accounts receivable	442,571	879,283
Other receivables	-	465,719
Inventories	326,294	632,997
Other current assets	137,570	94,785
Investment property	-	131,838
Financial assets at fair value through other comprehensive income	-	1,340,483
Investments accounted for under equity method	12,634	316,902
Property, plant and equipment	1,612,031	106,683
Intangible assets	425,509	69,616
Other non-current assets	656,870	246,645
Short-term borrowings	(864,000)	(1,050,000)
Accounts payable	(117,815)	(866,493)
Other current liabilities	(644,424)	(588,686)
Long-term borrowings	(91,773)	(1,000,000)
Deferred tax liabilities	(117,057)	(213,062)
Other non-current liabilities	(17,153)	(1,769)
Total identifiable net assets	2,603,380	2,295,943
Goodwill	$ 708,591	$ 715,197

E. The Group created minority share interest of $4,005,617 after the business combination. Due to the Group holding Power Channel equity share of 64.25% before the combination, the remaining equity share of 35.75% belongs to Foxlink Image. The business combination decreased Power Channel's non-controlling interest by $218,808. Due to the above, the business combination increased non-controlling interest by $3,786,809.

F. Before the business combination, the Group held Glory Science and Foxlink Image equity share of 41.62% and 31.20% respectively. The Group recognised remeasurement at fair value through profit and loss of $418,679 in other profit and loss.

G. Glory Science and Foxlink Image contributed revenue and profit and loss before tax of $1,301,242 and ($73,917), respectively, separately since the business combination at October 1, 2018. Under the assumption that the business combination occurred on January 1, 2018, their contribution to the Group's revenue and net profit before tax would be $5,658,048 and $ 317,935, respectively.

(33) Reorganisation

Aiming to integrate the Group's resources, the Group conducted a reorganisation using a share swap transaction on December 27, 2019. According to the share swap agreement, each common share issued by Shinfox was exchanged for 1 common share of Foxwell Energy. After the share swap, Foxwell Energy became a wholly-owned subsidiary of Shinfox whose 76.56% ownership were held by PQI.

(34) Operating leases

Prior to 2019

The Group leases offices, warehouses, branch locations and the land for settlement of solar photovoltaic equipment under non-cancellable operating lease agreements. The lease terms are between 1 to 20 years, and all the lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of $788,554 and contingent rent of $108,301 for these leases in profit or loss for the year ended December 31, 2018.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
No later than one year	$ 235,382
Later than one year but not later than five years	267,917
Over five years	52,977
	$ 556,276

(35) Supplemental cash flow information

A. Investment activities with partial cash payments:

	Years ended December 31, 2019	Years ended December 31, 2018
Purchase of property, plant and equipment	$ 3,144,294	$ 5,295,457
Add: Opening balance of payable on equipment	801,385	890,753
Less: Ending balance of payable on equipment	(548,763)	(801,385)
Cash paid during the year	$ 3,396,916	$ 5,384,825

B. The Group sold 100% of shares in the subsidiary, Donghai County Cheng Uei Travel Industry Co., Ltd. on September 3, 2018 and therefore lost control over the subsidiary (please refer to Note 4(3) B, Note 9). The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

	September 3, 2018
Carrying amount of assets and liabilities of Donghai County Cheng Uei Travel Industry Co.,Ltd.	
Cash and cash equivalents	$ 457,615
Other receivables	76
Prepayments	184,621
Property, plant and equipment	1,107,275
Guarantee deposits paid	3,718
Prepayment for equipment	5,752
Long-term prepaid rent	1,209,558
Other payables	(479,206)
Receipt in advance	(2,300,776)
Carrying amount of disposal of subsidiaries	188,633
Gain on disposal of subsidiaries	54,139
Total consolidation received from disposal of subsidiaries	242,772
Cash and cash equivalents from disposal of subsidiaries	(457,615)
Net cash charged due to disposal of subsidiaries	($ 214,843)

(36) Changes in liabilities from financing activities

	2019					
	Short-term borrowings	Short-term notes and bills payable	Corporate bonds payable	Long-term borrowings	Lease liabilities	Liabilities from financing activities - gross
At January 1	$ 1,458,024	$ 494,895	$ -	$ 14,857,276	$ 568,819	$ 17,379,014
Changes in cash flow from financing activities	588,402	(119,953)	3,000,000	(1,949,283)	(324,094)	1,195,072
Impact of changes in foreign exchange rate	(7,682)	-	-	-	(201,980)	(209,662)
Interest expense	-	-	-	-	(9,929)	(9,929)
Changes in other non-cash items	-	-	(12,345)	-	487,921	475,576
At December 31	$ 2,038,744	$ 374,942	$ 2,987,655	$ 12,907,993	$ 520,737	$ 18,830,071

	2018			
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Liabilities from financing activities - gross
At January 1	$ 3,194,456	$ -	$ 10,831,915	$ 14,026,371
Changes in cash flow from financing activites	(3,654,810)	494,895	2,933,588	(226,327)
Impact of business combination	1,914,000	-	1,091,773	3,005,773
Impact of changes in foreign exchange rate	4,378	-	-	4,378
At December 31	$ 1,458,024	$ 494,895	$ 14,857,276	$ 16,810,195

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Well Shin Technology Co., Ltd. (Well Shin)	Associates
Glory Science Co., Ltd. (Glory)	Associates (Note)
Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Associates (Note)
Yancheng Yaowei Technology Co., Ltd. (Yancheng Yaowei)	Associates (Note)
Foxlink Image Technology Co., Ltd. (Foxlink Image)	Associates (Note)
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associates
Microlink Communications Inc. (Microlink)	Associates
Central Motion Picture Corporation (Central Motion)	Associates
Deepwaters Digital Support Inc. (Deepwaters)	Associates
HSIN HUNG International Investment Co., Ltd. (HSIN HONG)	Other related parties
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related parties
Changde Kingplus Electronic Technology CO., LTD. (Changde Kingplus)	Other related parties
Dongguan Kingplus precision electronic technology Co., Ltd.	Other related parties

Note: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding Co., Ltd. on October 1, 2018, which acquired a 100% equity share of PQI, Foxlink Image and Glory Science. The Group has control over FIT Holding Co., Ltd. so that Foxlink Image, Glory Science and their subsidiaries became the Group’s subsidiaries on October 1, 2018.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
- Associates	$ 21,553	$ 12,834
- Other related parties	1,808,242	1,319,343
	$ 1,829,795	$ 1,332,177

All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	Years ended December 31,	
	2019	2018
Purchases of goods:		
- Associates	$ 443,043	$ 838,471
- Other related parties	662,974	569,337
	$ 1,106,017	$ 1,407,808

The purchase price in relation to the transaction made with related parties is based on mutual agreement. All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Non-operating income - Other Income

	Years ended December 31,	
	2019	2018
Other income:		
- Associates	$ 262	$ 18,448

The Group charged technical service compensation, management service fees and rental income from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Research and development expense - Technical Service Compensation

	Years ended December 31,	
	2019	2018
Technical service compensation:		
- Associates	$ 30,494	$ 54,191

The Group entered into technical service contracts with related parties for providing the Company with research and development services. The payment terms are based on mutual agreement.

E. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
- Associates	$ 73,098	$ 105,137
- Other related parties	357,881	574,880
	$ 430,979	$ 680,017
Other receivables (Financing):		
- Associates		
Microlink	$ 67,000	$ 66,654
Other receivables (Others):		
- Associates	28,825	1,366
	$ 95,825	$ 68,020

Other receivables mainly refer to the rental income received from related parties, and the collection terms are based on mutual agreement.

F. Payables to related parties:

	December 31, 2019	December 31, 2018
Accounts payable:		
- Associates	$ 114,850	$ 264,013
- Other related parties	115,241	62,889
	$ 230,091	$ 326,902
Other payables-Receipts under custody:		
- Associates	$ 16,812	$ 34,108
- Other related parties	85	811
	$ 16,897	$ 34,919

G. Lease transactions - lessee

(a) The Group leases buildings from related parties. Rental contracts are typically made for periods of 3 years. Rents are paid at the end of month.

(b) Acquisition of right-of-use assets

	December 31, 2019
Associates	$ 4,885
Other related parties	9,428
	$ 14,313

On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by $30,726.

(c) Lease liability

i. Outstanding balance:

	December 31, 2019
Associates	$ 4,914
Other related parties	9,510
	$ 14,424

ii. Interest expense

	Year ended December 31, 2019
Associates	$ 98
Other related parties	253
	$ 351

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 121,878	$ 113,207
Post-employment benefits	2,620	1,763
Total	$ 124,498	$ 114,970

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$ 591,778	$ 397,758	Long-term secured
Time deposits (shown as financial	953,868	-	Repatriation of capital from Taiwan's offshore
Restricted deposits-current (shown as financial assets at amortised cost-current)	367,747	373,823	Customs deposit, guarantee for L/C issued for purchases of materials and government
Refundable deposits (Shown as other non-current assets)	133,992	189,362	Customs deposit and plant deposit
Restricted deposits-non-current (shown as financial assets at amortised cost-non-current)	127,584	8,416	Litigation deposit and collaterals for long-term borrowings
	$ 2,174,969	$ 969,359	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 1,078,036	$ 1,190,153

(2) Central Motion Picture Corporation (the "Central Motion Picture"), an equity-method investment of the Group, was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee (the "Ill-gotten Party") in its written disposition, Dang-Chan-Chu-Zi No. 107007, issued on October 9, 2018. Under paragraph 1, Article 5 and Article 9 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations (the "Act"), properties were held by the Central Motion Picture when the Act was released on August 10, 2016 are considered as an unjustly received properties. The presumed ill-gotten party assets as prescribed in the preceding paragraph 1 of Article 5 are prohibited from being transferred or disposed since from the date of promulgation of this Act. However, this limit is not applicable if it is necessary to perform its legal duties or other justifiable reasons. The properties held by the Central Motion Picture are considered as unjustly received properties; however, their existing rights in leases, superficies, mortgage or pawnage are not affected if Ill-gotten Party considers such assets as unjustly received assets and then orders the bona fide third party to transfer such assets to the State, local self-governing bodies, or original owners. Under Article 16, the Central Motion Picture may file an administrative litigation (an action for revocation) in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, the Central Motion Picture may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court, which ruled to approve the suspension of execution in January 2020. However, Ill-gotten Party subsequently filed an appeal against the ruling, and it was dismissed by the High Administrative Court in February 2020. Meanwhile, Central Motion Picture filed a revocation action with the Taipei High Court, and it was pending approval as of January 14, 2020. As of the financial reporting date, the possible result of this litigation cannot be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

(1) Details of the appropriation of 2019 earnings as resolved by the Board of Directors on March 31, 2020 are provided in Note 6(21).

(2) On March 31, 2020, the Board of Directors resolved to issue secured corporate bonds with a period of 5 years and with the limit of total amount of no more than NTD 4 billion. This issuance will be effective after reporting to and being approved by the competent authority.

(3) On March 31, 2020, the Board of Directors resolved the following investments:

A. The Company will increase capital in the subsidiary, CULINK INTERNATIONAL LTD., amounting to USD 3.5 million and increase capital in FOXLINK TECHNICAL INDIA PRIVATE LIMITED amounting to USD 3.5 million through the subsidiary.

B. The Company will increase capital in the subsidiary, Foxlink International Investment Ltd., amounting to $100,000 and increase capital in FOXLINK INDIA ELECTRIC PRIVATE LIMITED amounting to $100,000 through the subsidiary.

C. The Company's subsidiary, Fu Uei International Investment Ltd. will invest $200,000 in FOXLINK INDIA ELECTRIC PRIVATE LIMITED through its own capital.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 129,150	$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	936,755	1,040,342
Financial assets at amortised cost/loans and receivables		
Cash and cash equivalents	6,141,316	6,122,851
Financial assets at amortised cost	1,770,762	732,654
Notes receivable	24,547	24,412
Accounts receivable	15,905,090	13,363,457
Other receivables	455,542	772,669
Guarantee deposits paid	133,992	189,362
	$ 25,497,154	$ 22,245,747

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 2,038,744	$ 1,458,024
Short-term notes and bills payable	374,942	494,895
Notes payable	3,273	3,814
Accounts payable	14,942,306	15,745,229
Other accounts payable	5,870,986	6,137,324
Corporate bonds payables	2,987,655	-
Lease liability	520,737	-
Long-term borrowings (including current	12,868,375	14,857,276
Guarantee deposits received	33,934	30,531
	$ 39,640,952	$ 38,727,093

B. Risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, please refer to Note 6(2).

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

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

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets at fair value through profit or loss are provided in Note 6(2).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD：NTD	$	546,131	29.98	$	16,373,007
RMB：NTD		240,382	4.31		1,036,046
HKD：NTD		3,294	3.85		12,682
EUR：NTD		759	33.59		25,495
JPY：NTD		69,996	0.28		19,599
USD：HKD		612	7.79		18,348
USD : RMB		13,343	6.96		400,023
Non-monetary items					
RMB : HKD	$	195,894	1.12	$	844,302
USD：HKD		2,100	7.79		62,969
INR：NTD		92,419	0.42		38,816
Financial liabilities					
Monetary items					
USD：NTD	$	336,502	29.98	$	10,088,330
RMB：NTD		29,059	4.31		125,244
HKD：NTD		18,904	3.85		72,780
EUR：NTD		6,263	33.59		210,374
JPY：NTD		27,153	0.28		7,603
USD：HKD		980	7.79		29,380
RMB : HKD		130,347	1.12		561,796
USD : RMB		177,229	6.96		5,315,325
HKD : RMB		2,103	0.89		8,097

	December 31, 2018				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD：NTD	$	414,232	30.72	$	12,725,207
RMB：NTD		66,400	4.47		296,808
HKD：NTD		6,160	3.92		24,147
EUR：NTD		1,436	35.20		50,547
JPY：NTD		36,191	0.28		10,133
USD：HKD		2,344	7.83		72,008
RMB : HKD		145,412	1.14		649,992
USD : RMB		3,966	6.87		121,836
Non-monetary items					
RMB : HKD	$	145,613	1.14	$	648,878
USD：HKD		2,268	7.83		69,675
Financial liabilities					
Monetary items					
USD：NTD	$	303,965	30.72	$	9,337,805
HKD：NTD		3,614	3.92		14,167
EUR：NTD		83	35.20		2,922
JPY：NTD		168,863	0.28		47,282
USD：HKD		5,469	7.83		168,008
RMB : HKD		213,349	1.14		953,670
USD : RMB		65,428	6.87		2,009,948

v. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for years ended December 31, 2019 and 2018 amounted to $193,706 and $207,324, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2019		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 163,730	$ -
RMB：NTD	1%	10,360	-
HKD：NTD	1%	127	-
EUR：NTD	1%	255	
JPY：NTD	1%	196	-
USD：HKD	1%	183	-
USD：RMB	1%	4,000	-
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 100,883	$ -
RMB：NTD	1%	1,252	-
HKD：NTD	1%	728	-
EUR：NTD	1%	2,104	-
JPY：NTD	1%	76	-
USD : HKD	1%	294	-
RMB：HKD	1%	5,618	-
USD：RMB	1%	53,153	-
NTD：RMB	1%	81	-

	Year ended December 31, 2018		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 127,252	$ -
RMB：NTD	1%	2,968	-
HKD：NTD	1%	241	-
EUR：NTD	1%	505	-
JPY：NTD	1%	101	-
USD：HKD	1%	720	-
RMB：HKD	1%	6,500	-
USD：RMB	1%	1,218	-
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 93,378	$ -
HKD：NTD	1%	142	-
EUR：NTD	1%	29	-
JPY：NTD	1%	473	-
USD : HKD	1%	1,680	-
RMB：HKD	1%	9,537	-
USD：RMB	1%	20,099	-

Price risk

i. The Group’s equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group’s investments in equity securities comprise domestic or foreign listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant. Other components of equity for the years ended December 31, 2019 and 2018 would have increased (decreased) by $7,494 and $8,333, respectively, as a result of gains/losses on equity securities other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's interest rates of borrowings are fixed and floating rate. For the years ended December 31, 2019 and 2018, the Group's borrowings issued by floating rate are priced in New Taiwan dollars and Euro dollars.

ii. As of December 31, 2019 and 2018, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have been $103,264 and $118,858 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. Group treasury manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only rated banks with an optimal rating and financial institutes with investment grade are accepted.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 120 days.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) A breach of contract.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
At December 31, 2019					
Expected loss rate	0.04%	2.99%	10.24%	100%	
Total book value	$ 14,412,991	$ 818,189	$ 304,377	$ 97,213	$ 15,632,770
Loss allowance	$ 5,771	$ 24,502	$ 31,173	$ 97,213	$ 158,659

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
At December 31, 2018					
Expected loss rate	0.14%	2.68%	32.1%	100%	
Total book value	$ 11,868,383	$ 799,013	$ 78,887	$ 104,275	$ 12,850,558
Loss allowance	$ 16,130	$ 21,389	$ 25,324	$ 104,275	$ 167,118

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

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 167,118	$ 99,177
Business combination	-	73,121
Provision for impairment	(7,799)	(5,703)
Effect of foreign exchange	(660)	523
At December 31	$ 158,659	$ 167,118

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. Except that the carrying amounts of notes payable, accounts payable and other payables are approximate to the amounts of contractual undiscounted cash flows and those accounts will expire within a year, the amounts of financial liabilities disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 2,066,471	$ -	$ -	$ -	$ -
Short-term notes and bills payable	379,539	-	-	-	-
Lease liabilities	238,190	107,317	52,581	57,207	95,801
Long-term borrowings (including current portion)	1,202,890	3,773,751	7,031,249	473,080	749,605

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 1,474,065	$ -	$ -	$ -	$ -
Short-term notes and bills payable	499,715	-	-	-	-
Long-term borrowings (including current portion)	867,350	8,072,943	13,371	6,235,902	60,081

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2019			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 3,000,000	$ -	$ 2,987,655	$ -

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets :				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Non-capital guaranteed floating profit financial instruments	$ -	$ 129,150	$ -	$ 129,150
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	936,755	936,755
	$ -	$ 129,150	$ 936,755	$ 1,065,905

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets :				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 1,040,342	$ 1,040,342

E. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

F. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019		
	Convertible bonds	Equity securities	Total
January 1	$ -	$ 1,040,342	$ 1,040,342
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(115,954)	(115,954)
Transfers during the current year	-	18,375	18,375
Effect of exchange rate changes	-	(6,008)	(6,008)
December 31	$ -	$ 936,755	$ 936,755

	2018		
	Convertible bonds	Equity securities	Total
January 1, unadjusted balance	$ -	$ -	$ -
Impact of IFRS 9 adoption	8,928	628,114	637,042
January 1, adjusted balance	8,928	628,114	637,042
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(178,498)	(178,498)
Transfers out	(8,928)	8,928	-
Acquired in the year	-	165,075	165,075
Acquired from business combination	-	413,500	413,500
Effect of exchange rate changes	-	3,223	3,223
December 31	$ -	$ 1,040,342	$ 1,040,342

H. For the year ended December 31, 2019, there was transfer into from Level 3, please refer to Note 6(8). For the year ended December 31, 2018, there was no transfer into or out from Level 3.

I. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 936,755	Market comparable companies	Discount for lack of marketability	20%~30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 1,040,342	Market comparable companies	Discount for lack of marketability	18.7%~55.1%	The higher the discount for lack of marketability, the lower the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and liabilities categorised within Level 3, there is no significant impact to other comprehensive income on December 31, 2019 and 2018 if the net asset value increase or decrease by 1%.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

For the investees' information, refer to investees' independent accountant attestation report.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

14. SEGMENT INFORMATION

(1) General information

The Group has classified the reportable operating segments based on product types. The Company's operations and segmentation are both developed according to the product types. The current main product types are: 3C component, systems and peripheral products, 3C product retail and others.

(2) Measurement of segment information

The Board of Directors of the Group uses operating profit to measure the operating segments and as evaluation basis of the segments' performance.

(3) Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Years ended December 31, 2019

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	$ 40,462,571	$ 44,264,157	$ 12,443,435	$ 650,173	$ -	$ 97,820,336
Revenue from Internal Customers	2,155,154	1,781,064	-	242	(3,936,460)	-
Segment Revenue	$ 42,617,725	$ 46,045,221	$ 12,443,435	$ 650,415	($ 3,936,460)	$ 97,820,336
Segment Profit (Loss)	$ 860,100	$ 1,225,483	$ 174,273	$ 21,834	$ -	$ 2,281,690

Years ended December 31, 2018

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	$ 38,878,010	$ 36,382,185	$ 12,055,399	$ 595,367	$ -	$ 87,910,961
Revenue from Internal Customers	1,864,671	2,463,791	-	22,153	(4,350,615)	-
Segment Revenue	$ 40,742,681	$ 38,845,976	$ 12,055,399	$ 617,520	($ 4,350,615)	$ 87,910,961
Segment (Loss) Profit	($ 571,869)	$ 686,113	$ 33,286	($ 21,006)	$ -	$ 126,524

(4) Reconciliation for segment profit (loss)

The external revenue and segment profit (loss) reported to the chief operating decision-maker are measured in a manner consistent with revenue and profit (loss) before tax in the financial statements. Therefore, no reconciliation was needed.

Cheng Uei Precision Industry Co., Ltd.

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Fugang Electric (Kunshan) Co., Ltd.	FUQIANG ELECTRIC (YANCHENG) CO., LTD.	Other receivables - related parties	Yes	$ 36,808	$ 34,440	$ 34,440	-	2	$ -	Operations	$ -	-	$ -	$ 3,884,991	$ 3,884,991	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	″	Yes	133,429	103,320	103,320	-	2	-	″	-	-	-	3,884,991	3,884,991	
1	Fugang Electric (Kunshan) Co., Ltd.	Fu Shi Xiang Research & Development Center(Kunshan) Co.,	″	Yes	24,794	23,678	23,678	-	2	-	″	-	-	-	3,884,991	3,884,991	
1	Fugang Electric (Kunshan) Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	″	Yes	172,200	172,200	172,200	-	2	-	″	-	-	-	3,884,991	3,884,991	
2	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	″	Yes	111,822	-	-	-	2	-	″	-	-	-	111,643	111,643	
2	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	″	Yes	91,669	86,942	86,942	-	2	-	″	-	-	-	111,643	111,643	
3	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	″	Yes	230,050	215,250	215,250	-	2	-	″	-	-	-	227,364	227,364	
4	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	″	Yes	181,740	167,895	167,895	-	2	-	″	-	-	-	170,026	170,026	
5	Kunshan Fugang Electric Trading Co., LTD.	Kunshan Fu Shi Yu Trading Co., Ltd.	″	Yes	2,301	-	-	-	2	-	″	-	-	-	400	400	
6	Foxlink International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	″	Yes	230,000	-	-	-	2	-	″	-	-	-	1,446,530	1,446,530	
6	Foxlink International Investment Ltd.	Microlink Communications Inc.	″	Yes	67,000	67,000	67,000	-	2	-	″	-	-	-	1,446,530	1,446,530	
7	Fu Uei International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	″	Yes	235,000	235,000	235,000	-	2	-	″	-	-	-	681,780	681,780	
8	FOXLINK TECHNOLOGY LIMITED	Cheng Uei Precision Industry Co., Ltd.	″	Yes	755,479	716,522	716,522	-	2	-	″	-	-	-	887,880	887,880	
8	FOXLINK TECHNOLOGY LIMITED	CU INTERNATION LTD.	″	Yes	108,124	101,168	101,168	-	2	-	″	-	-	-	887,880	887,880	
8	FOXLINK TECHNOLOGY LIMITED	Microlink Communications Inc.	″	Yes	67,958	-	-	-	2	-	″	-	-	-	887,880	887,880	
8	FOXLINK TECHNOLOGY LIMITED	Proconn Technology Co., Ltd.	″	Yes	92,670	-	-	-	2	-	″	-	-	-	887,880	887,880	
9	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	″	Yes	357,760	94,710	94,710	-	2	-	″	-	-	-	2,423,422	2,423,422	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
9	Foxlink TianJin Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	Other receivables - related parties	Yes	$ 368,080	$ -	$ -	-	2	$ -	Operations	$ -	-	$ -	$ 2,423,422	$ 2,423,422	
9	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (XUZHOU) CO., LTD.	″	Yes	276,060	64,575	64,575	-	2	-	″	-	-	-	2,423,422	2,423,422	
9	Foxlink TianJin Co., Ltd.	Fugang Electronic (Dongguan) Co., Ltd.	″	Yes	387,450	387,450	387,450	-	2	-	″	-	-	-	2,423,422	2,423,422	
9	Foxlink TianJin Co., Ltd.	Fuqiang Electric (MAANSHAN) CO., LTD.	″	Yes	86,944	-	-	-	2	-	″	-	-	-	2,423,422	2,423,422	
10	Studio A Inc.	AShop Co., Ltd.	″	Yes	237,900	173,884	110,926	2%	2	-	″	-	-	-	208,298	208,298	
11	Studio A Technology Limited	Studio A Inc.	″	Yes	94,830	89,940	89,940	-	2	-	″	-	-	-	755,301	755,301	
12	Foxlink Image Technology Co., Ltd.	Power Quotient International Co., Ltd.	″	Yes	604,750	604,750	604,750	0.81-0.98%	2	-	″	-	-	-	824,807	1,099,743	
13	Glory Science Co., Ltd.	GLORY OPTICS(BVI) CO., LTD.	″	Yes	306,750	-	-	3%	2	-	″	-	-	-	376,416	501,888	
14	GLORY OPTICS(BVI) CO., LTD.	GLORYTEK (YANCHENG) CO., LTD.	″	Yes	95,130	93,060	93,060	3%	2	-	″	-	-	-	2,011,292	2,681,722	
14	GLORY OPTICS(BVI) CO., LTD.	GLORY Photovoltaic(Suzhou) Co., Ltd.	″	Yes	19,941	-	-	0-3%	2	-	″	-	-	-	2,011,292	2,681,722	
14	GLORY OPTICS(BVI) CO., LTD.	Glory Science Co., Ltd.	″	Yes	153,950	-	-	0%	2	-	″	-	-	-	2,011,292	2,681,722	
14	GLORY OPTICS(BVI) CO., LTD.	Glory Optics(Yancheng) Co., Ltd.	″	Yes	306,750	75,068	73,559	3%	2	-	″	-	-	-	2,011,292	2,681,722	
15	GLORY Photovoltaic(Suzhou) Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	″	Yes	318,010	220,910	176,880	5%	2	-	″	-	-	-	2,011,292	2,681,722	
16	GLORYTEK (YANCHENG) CO., LTD.	Glory Optics(Yancheng) Co., Ltd.	″	Yes	306,750	-	-	5%	2	-	″	-	-	-	2,011,292	2,681,722	
17	POWER QUOTIET TECHNOLOGY (YANCHENG) CO., LTD.	Jiangsu Foxlink New Energy TechnologyCo.,Ltd.	″	Yes	457,600	457,600	457,600	-	2	-	Group's capital management	-	-	-	2,011,292	2,681,722	
18	Foxwell Energy Corporation Ltd.	Zhangyuan Wind Power Co., Ltd.	″	Yes	61,730	50,000	-	Over 1 month, 1.5%	2	-	″	-	-	-	209,943	279,924	
18	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	″	Yes	62,860	50,000	-	Over 1 month, 1.5%	2	-	″	-	-	-	209,943	279,924	
18	Foxwell Energy Corporation Ltd.	Shinfox Co., Ltd.	″	Yes	134,000	-	-	Over 1 month, 1.5%	2	-	″	-	-	-	209,943	279,924	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
19	GLOBAL ADVANCE INVESTMENTS CORP.	ACCU-IMAGE TECHNOLOGY LTD	Other receivables - related parties	Yes	$ 74,483	$ -	$ -	-	2	$ -	Group's capital management	$ -	-	$ -	$ 2,011,292	$ 2,681,722	
20	Zhi De Investment Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	〃	Yes	100,000	100,000	100,000	-	2	$ -	〃	-	-	-	178,042	178,042	
21	CU INTERNATIONAL LTD.	Cheng Uei Precision Industry Co., Ltd.	〃	Yes	68,288	-	-	-	2	-	Operations	-	-	-	21,992,520	21,992,520	
22	Foxlink Automotive Technology (Kunshan) CO., LTD.	Fugang Electronic (Dongguan) Co., Ltd.	〃	Yes	172,200	172,200	172,200	-	2	-	〃	-	-	-	200,083	200,083	

Note 1: The numbers as follows represent the nature of loan:

(1) Business transaction is labelled as "1".

(2) Short-term financing is labelled as "2".

Note 2: (1) Limit on loans granted to a single party is 20% of the Company's net asset value.

(2) Limit on loans granted to domestic subsidiaries is 40% of their net asset value.

(3) Limit on loans granted to direct or indirect holding foreign subsidiaries is 100% of their net asset value.

(4) Limit on loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.

(5) Limit on loans granted to FIT Holding Co., Ltd. and its subsidiaries is 30% of FIT Holding Co., Ltd.'s net asset value on recent financial report.

(6) Limit on loans granted to a sinle party by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 30% of its net asset value.

Note 3: (1) Ceiling on total loans granted to the company is 40% of the Company's net asset value.

(2) Ceiling on total loans granted to the company's domestic subsidiaries is 40% of their net asset value.

(3) Ceiling on total loans granted to the direct or indirect holding subsidiaries is 100% of their net asset value.

(4) Ceiling on total loans granted between foreign companies whose voting shares are 100% held by the Company directly or indirectly, or on loans granted to the Company by such foreign companies is 100% of their net asset value.

(5) Ceiling on total loans granted to FIT Holding Co., Ltd. and its direct or indirect holding foreign subsidiaries is 40% of their net asset value on recent financial report.

(6) Ceiling on total loans granted by Foxlink Image, Glory Science Co., Ltd. and Foxwell Energy is 40% of its net asset value.

Cheng Uei Precision Industry Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements /guarantees provided (Note 2)	Provision of endorsements /guarantees by parent company to subsidiary	Provision of endorsements /guarantees by subsidiary to parent company	Proision of endorsements /guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	The Company's third-tier subsidiary	$ 11,215,939	$ 1,380,300	$ 1,291,500	$ 1,291,500	$ -	5.76	$ 22,431,878	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	〃	8,972,751	474,150	449,700	26,547	-	2.00	22,431,878	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	〃	8,972,751	217,280	209,860	113,025	-	0.94	22,431,878	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	The Company's second-tier subsidiary	8,972,751	1,264,400	1,199,200	225,248	-	5.35	22,431,878	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	The Company's third-tier subsidiary	8,972,751	1,580,500	1,439,040	66,556	-	6.42	22,431,878	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	〃	8,972,751	1,264,400	1,199,200	46,469	-	5.35	22,431,878	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	FOXLINK INTERNATIONAL INCORPORATION	〃	11,215,939	1,024,164	971,352	621,695	-	4.33	22,431,878	Y	N	N	
1	Studio A Inc.	ASHOP CO., LTD.	Studio A Inc.'s subsidiary	8,972,751	217,280	209,860	113,025	-	0.86	22,431,878	Y	N	N	
2	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Fugang Electric (Kunshan) Co., Ltd.'s other related party	11,215,939	1,262,744	1,181,507	1,181,507	-	5.72	22,431,878	Y	N	Y	
2	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., LTD.	〃	8,972,751	78,217	-	-	-	0.25	22,431,878	Y	N	Y	
3	FIT Holding Co., Ltd.	Power Quotient International Co., Ltd.	FIT Holding Co., Ltd.'s subsidiary	10,056,458	300,000	300,000	300,000	-	4.47	10,056,458	Y	N	N	
3	FIT Holding Co., Ltd.	Foxwell Energy Corporation Ltd.	〃	9,386,027	531,698	531,698	531,698	-	7.93	10,056,458	Y	N	N	
4	Glory Science Co., Ltd.	Glory Optics(Yancheng) Co., Ltd.	Glory Science Co., Ltd.'s subsidiary	10,056,458	185,070	185,070	-	-	2.76	10,056,458	Y	N	Y	
4	Glory Science Co., Ltd.	GLORYTEK (YANCHENG) CO., LTD.	Glory Science Co., Ltd.'s subsidiary	10,056,458	460,500	185,070	-	-	2.76	10,056,458	Y	N	Y	
5	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LIMITED	Power Quotient International Co., Ltd.'s second-tier subsidiary	10,056,458	307,350	-	-	-	-	10,056,458	Y	N	N	
6	Foxwell Energy Corporation Ltd.	Beiyuan Wind Power Co., Ltd.	Foxwell Energy Corporation Ltd.'s subsidiary	10,056,458	621,000	621,000	336,251	-	9.26	10,056,458	Y	N	N	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

(1) For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company’s net asset value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company’s net asset value.

(2) For FIT Holding Co.,Ltd., limit on endorsements and guarantees for a single party is 140% of FIT Holding Co.,Ltd.’s current net asset value and for subsidiary whose equity is no less than 90% held by FIT Holding Co.,Ltd., is 150% of FIT Holding Co.,Ltd.’s net asset value.

(3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.’s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.

Note 2: Calculation for limit on endorsements/guarantees provided is as follows:

(1) The Company’s and subsidiaries’ endorsements and guarantees to others should not exceed 100% of the Company’s net asset value.

(2) FIT Holding Co.,Ltd.’s endorsements and guarantees to others and subsidiaries should not exceed 150% of FIT Holding Co.,Ltd.’s net asset value in the latest financial statements.

(3) Endorsements and guarantees are available between companies whose voting shares are more than 90% held by FIT Holding Co.,Ltd. directly or indirectly. And the limit on endorsements and guarantees is 10% of FIT Holding Co.,Ltd.’s net asset value except that endorsements and guarantees are between companies whose voting shares are 100% held by FIT Holding Co.,Ltd. directly or indirectly.