Stock Code:6271

TONG HSING ELECTRONIC INDUSTRIES, LTD.
同欣電子工業股份有限公司

2019
Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw

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7. Financial Status and Operating Results

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1. Letter to Shareholders

Dear Shareholders:

2019 was a year of reflection, change, and energy accumulation for Tong Hsing Electronic Ind., Ltd. (hereinafter referred to as Tong Hsing). Despite the impact of international trade disputes, currency fluctuations, low demand in the electronics supply chain, price competition in electronic industries, and organizational restructuring, the Company has focused on the continuous improvement of image products, ceramic substrate processes, and packaging technologies, expanding applications of four major product sectors, and providing customers with comprehensive processes. With the hard work of all employees, the Company's business and financial indicators have also improved.

The Company also passed the merger of Kingpak Technology Inc. in the extraordinary shareholders' meeting in 2020 to expand the scale of the Company's image products and provide customer services across the globe. The merger will increase the Company's future growth momentum and make full use of the synergy of the merger. The following is a brief report on the business performance of the past year.

I. 2019 business overview

(1) Consolidated Net Revenue

The net revenue for 2019 amounted to NT$7,430,654 thousand, representing an increase of NT$17,142 thousand or a small growth of 0.2% compared to the net revenue of NT$7,413,512 thousand in 2018. By application, RF modules and hybrid modules and specialty packaging grew by 33.4% and 43.7%, ceramic metalized substrates increased by 21.5% and image products maintained steady, respectively.

(2) Consolidated Net Income from Operations

Due to the changes in the aforementioned product portfolio in 2019, the consolidated net income from operations was NT$911,877 thousand which was a 19.9% decline from the previous year.

(3) Consolidated net non-operating income and expenses

The consolidated non-operating income decreased by NT$76,353 thousand compared to 2018 due to the appreciation of the NTD which increased exchange losses.

(4) Consolidated Income before Tax

As a result of the aforementioned factors, the net profit before tax for 2019 was NT$942,246 thousand which was a decrease of NT$303,037 thousand or 24.3% from NT$1,245,283 thousand in 2018.

(5) Budget implementation

The Company has not published financial forecasts.

(6) Research and development status:

Year	Technologies	Product Applications
2019	Cavity substrates	3D Sensing
	Development of embedded ceramic packaging structure for driver chips	3D Sensing
	High resolution image sensing module packaging technology for vehicle-mounted assistance systems	Image sensing module applications

	(WLCSP) SAW filter micro bumping structures	High-frequency RF modules
	Development of multi-layered ceramic substrates for ultrasound sensing	Biomedical applications
	Technical research and development of thick copper-bonded silicon nitride for active metal vacuum brazing (AMB)	High-power component applications

II 2019 Business Plan

(1) Operating Guidelines

1. Enhance product and service quality for better customer satisfaction.
2. Improve manufacturing processes, yield rate and phase in automation to lower production costs.
3. Invest in R&D advancement and technology innovation, and closely work with leading edge suppliers to build up long-term partnerships.
4. Strengthen cooperation with key suppliers to develop new materials, new equipment and new production technologies to differentiate product and service from competitors.
5. Provide a turnkey solution by integrating technologies of substrate, packaging and testing.

(2) Expected sales volume and important production and sales basis

The Company's main businesses include ceramic metalized substrates and image products.

Ceramic substrates are mainly used for high-power LEDs for outdoor lighting, flash photography, and automotive applications. In addition to high-brightness LEDs, ceramic substrates are also used in high-power edge emitting laser diodes and surface emitting laser diodes. Laser applications are set to grow in the coming years. In addition, the demand for high-power semiconductors from clean energy and automobile electrification has also contributed to the growth of ceramic metalized substrates.

In terms of image products, the growth of the smart phone market has slowed but the emergence of new applications such as multiple lenses, increase in resolution, 3D sensing, and infrared imaging sensors required for under-display fingerprint identification have gradually increased the number of image sensors installed on a single mobile phone. The growth of image products will outpace that of the mobile phone market.

(3) Company development strategy

1. Sales
   (a) The four main products of the Company include radio-frequency modules (RF modules), hybrid modules & specialty packaging, ceramic metalized substrates, and image products. We expect image products to account for the highest proportion of revenue in 2020. It will be followed by ceramic metalized substrates, hybrid modules & specialty packaging, and RF modules.
   (b) In terms of the image products, the Company has established comprehensive

production processes for CP, RW, ASSY, and FT to provide customers with turnkey solutions.

In addition to the traditional image sensors used for photography and filming functions, the mobile market has shifted towards multiple lenses to provide zoom lens and depth of field adjustments. In addition, 3D sensing technologies combined with semiconductor laser and infrared motion image sensors are applied to 3D facial recognition and augmented reality (AR). They are also used in combination with infrared light LEDs and image sensors for the next wave of potential applications of biometrics technologies such as under-display fingerprint identification.

In terms of the automotive market, the development of advanced driver assistance systems has increased new sensor applications for image sensors for new machine vision beyond image applications. This market has immense potentials, and we will carry on with its development.

(c) In terms of the ceramic metalized substrates business, the thin film DPC ceramic metalized substrates produced by the Company is the main structure of high-brightness LEDs. As LED lighting technology and its market matures, the Company will continue to strengthen development and services in this market. In addition to general lighting applications, we have also gradually expanded the sales of automotive lighting from European and American customers to Asia Pacific customers and the Company will keep strengthening its development in this market.

In addition to the white light LEDs used for lighting, the use of UVC LEDs for sterilization and UVA LEDs for glue and ink solidification are also gradually replacing mercury lamps that have high pollution problems. The Company will continue to actively develop this market.

In terms of the applications of high-power semiconductor modules, the Company's DBC technology is suitable for applications such as renewable energy, energy-saving home appliances, power motors and inverters and power modules necessary for electric vehicles (EV) and hybrid electric vehicles (HEV). We will continue to explore this market which has immense potentials.

(d) In terms of the hybrid module & specialty packaging business, in addition to existing products, the Company continues to develop special lighting substrates and module packaging, semiconductor laser module packaging, UV LED module packaging, and biomedical chip module packaging. The Company will strengthen its development and services in this sector.

(e) In terms of the RF module business, the Company shall continue to develop modules for high-speed fiber optic network applications for smart phones and data centers and invest in the development of surface acoustic wave filters and 5G related modules. In addition, the Company also provides modules for new satellite Internet access services to eliminate the difficulties of setting up hardware equipment in remote areas and provide better Internet access.

2. Production equipment

The Company aims to adapt to the increasingly complex and diverse characteristics of products, expand production capacity based on the requirements of new products, continuously promote automation, and make use of intelligent manufacturing of Industrial 4.0 and big data analytics. We shall install more automatic sorter/handler and sensors on existing equipment and use IoT integrated manufacturing information to achieve real-time online monitoring, improve quality/yield, reduce costs, and increase product competitiveness. Major investments in production equipment in 2020:

(a) Capacity expansion for mobile image products.
(b) Capacity expansion for aerospace and biomedical products.
(c) Introduction of new manufacturing execution systems to respond to the diverse product and process production activities.
(d) Enhancement of the equipment ability to connect to networks for Industrial 4.0 and smart manufacturing plans.
(e) Introduction of a process parameter monitoring system to improve product quality.

3. Research and development：

(a) Power semiconductor module assembly and testing.
(b) 3D sensing module assembly.
(c) Optoelectronic semiconductor module assembly.
(d) Wafer-level chip scale package chip-based surface acoustic wave filters (WLCSP SAW) packaging.
(e) Biomedical chip packaging structure and process development.
(f) High-frequency RF module packaging process development.
(g) Development of high-density ceramic substrates with multi-layered circuits.
(h) Development of anti-corrosive automotive ceramic substrates.
(i) Development of multi-layered chip for vehicle SIP packaging with integrated image sensing and image processing chips.
(j) High-precision vehicle-mounted image sensing module packaging.
(k) Development of packaging for embedded driver chips for 3D ceramic sensor modules.

4. Human resources development：

(a) Strengthen internal and external training and expertise management, and cultivate and enhance various skills for multiple functions.
(b) Encourage employees to pursue advanced studies and we develop various professional guidance programs..
(c) Continues to cooperate with colleges and universities to recruit skilled talents and accumulate R&D capacity.

(d) Strengthen innovation mechanisms and adopt a people-oriented approach to achieve harmonious development of the Company and employees.

(e) Work on R&D projects on basic materials with advanced R&D units to master technologies for advanced materials.

5. Outlook

(a) In terms of the image products, the introduction of new applications such as multiple lenses, 3D sensing, and under-display fingerprint identification will help the image sensor market achieve faster growth than the mobile phone market.

In the automobile market, in addition to the traditional image sensors used for video applications such as vehicle reverse cameras and surround-view imaging, advanced driving assistance systems also require more sensors for machine vision. They include driver monitoring, LiDAR, lane change monitoring, and etc. and automotive image sensors will be crucial for the next wave of growth.

(b) In terms of ceramic metalized substrates, the DPC ceramic metalized substrates manufactured by the Company are suitable for growing markets such as high-brightness LEDs, semiconductor lasers, and thermoelectric converters. As more features are added to mobile devices and with the development of wearable devices, electronic components are shifting towards miniaturization. It is difficult for traditional co-fired ceramic technologies to meet the demands of next generation products which require miniaturized ceramic metalized substrates for crystal oscillators and surface acoustic wave filters. DPC technologies have the potential for miniaturization and we shall actively develop this new application market.

In terms of power semiconductors, with the development of various types of clean energy and automobile electrification, high-power semiconductors have achieved rapid development and we will continue to develop DBC and AMB technologies to expand this market.

(c) In terms of biomedical products, DNA sequencing and various inspection technologies are gradually transitioning from traditional technologies to biomedical chip technologies. The Company provides a variety of customized services including ceramic substrates, wafer surface treatment, module packaging and testing to help customers achieve rapid development and mass production. The Company will continue with the improvement and integration of assembly technologies to expand businesses in the niche product market.

(d) In terms of the hybrid integrated circuits and RF modules, the Company continues to work with customers to develop new products such as next-generation 5G wireless communication modules, satellite communication modules, and high-speed fiber optic network applications. We also integrate the Company's ceramic substrate and packaging technologies to provide customers with differentiated process services.

Finally, although there remain uncertainties in the global economy and the industry in 2020, the Company will work hard to expand the production of niche products, optimize processes and the product portfolio, upgrade production and environmental protection equipment, comply with environmental protection regulations, expand the scale of operations, and create higher value for the industry and shareholders to enhance the Company's performance and profitability.

I wish to thank all our shareholders for your attendance, long-term support, and encouragement. I wish you all health, peace, and happiness..

Tie-Min Chen, Chairman of the Board

2. Corporate Profile

I. Company profile

(1) Date of Incorporation: August 11, 1974

(2) Milestones

Aug. 1974	Tong Hsing Electronic Industries Limited (Tong Hsing or the Company) was established with a paid-in capital of NT$30 million.
Aug. 1976	Started production of ceramic substrates.
Sep. 1977	Started production of thick-film substrates.
Sep. 1979	Started production of hybrid modules.
May 1982	Started production of thick film printed substrates for capacitors.
Jan. 1986	Shipped 500K Modules of Electronic Fuse.
Aug. 1989	Received IECQ certification.
Dec. 1991	Transferred technology from SMART RELAY TECHNOLOGY INC, (SRT) and produced solid state relays.
May 1993	Started large scale production of thick film copper process.
Jul. 1993	Received ISO-9002 certification.
Jun. 1994	Established Tong Hsing Electronics Phils. Inc..
Feb. 1996	Established CIM System to track the WIP through LAN.
Jan. 1997	Provided RF modules packaging service for Conexant.
Jul. 1997	Received CSP patent approval.
Sep. 1997	Started volume production of CDMA power amplifier modules.
Oct. 1997	Started volume production of substrates by applying exposure and etching technologies.
Dec. 1998	Received QS-9000 and ISO-9001 certification.
Jul. 1999	Increased cash capital of NT$160.35 million and applied for OTC listing.
Dec. 1999	Started volume production of GSM power amplifier modules.
Mar. 2002	Received ISO-14001 certification.
Dec. 2002	OTC listing was approved.
May 2003	Acquired 23.38% of equity shares from Impac Technology Ltd. Corp..
Jun. 2005	Received patented production for high-frequency and power modules.
Jul. 2005	The Philippines Plant received QS-9000 and ISO-9001 certification.
Sep. 2005	Started production of thin film DPC substrate fabrication.
Nov. 2005	Started volume production of AlN substrates.
Jan. 2006	Startsed DPC volume production for high-brightness LED substrates.
Feb. 2006	Received certification from world-leading automotive electronic component makers.
May 2006	Developed digital mirror devices (DMD) packaging and started volume production.
Aug. 2006	Received TS16949 certification.
Nov. 2006	Received OHSAS18001 certification.

Jan. 2007	The Philippines Plant received TS16949 certification.
May 2007	Ranked as one of the Top-1000 manufacturers by CommonWealth Magazine.
Aug. 2007	Issued employee warrants of 4,000 units with 5-year duration.
Nov. 2007	Increased cash capital of NT$120 million and IPO.
Dec. 2007	The Philippines Plant constructed the PII.
Oct. 2008	Awarded as “Excellent Innovation” by Ministry of Economic Affairs.
Oct. 2008	Increased cash capital of NT$100 million.
Nov. 2008	The Philippines Plant received OHSAS18001 certification.
Feb. 2009	Stock buyback of NT$7.91 million.
Dec. 2009	Increased cash capital of NT$30 million to fully acquire and merged with Impac Technology Ltd. Corp..
Dec. 2009	The Philippines Plant completed the construction of the PII.
Feb. 2010	Received AS9100 certification.
Jul. 2010	Increased cash capital of NT$160 million.
May 2011	Ranked as Top 500 manufacturers by CommonWealth Magazine.
Aug. 2011	Increased cash capital of NT$200 million.
Sep. 2011	Received Sony Green Partners certification.
Jun. 2012	Awarded as excellent photoelectric products by Photonics Industry and Technology Development Association (PIDA).
Aug. 2012	Acquires DBC production assets, process, know-how, and IP from HCS.
Dec. 2012	Received ISO13485 certification.
Jul. 2013	Joined Electronic Industry Citizenship Coalition(EICC) to implement corporate social responsibility.
Oct. 2013	Received China RoHs certification.
Apr. 2014	Issued domestic convertible bonds of NT$2,000 million.
Nov. 2014	Participated in campaign run by the Economic Department in New Taipei City to promote energy saving.
Dec. 2014	Started production of RW products in Longtan work site.
Apr. 2015	Established a new subsidiary of Longtan Plant for the manufacturing of CP and wafer reconstruction.
Jan. 2016	Started production of RW products in Longtan work site.
Jul. 2016	Awarded as Top-500 Excellent Exporters / Importers.
Aug. 2018	Awarded as Excellent Management of National Quality Award by Ministry of Economic Affairs.
Oct. 2018	Received IATF16949 certification.
Jun. 2019	Expanded the production capacity of imaging products and construct the Company's headquarters, the Company acquired land in Zhonghua Section, Bade District, Taoyuan City and commenced the construction of the Bade Plant.

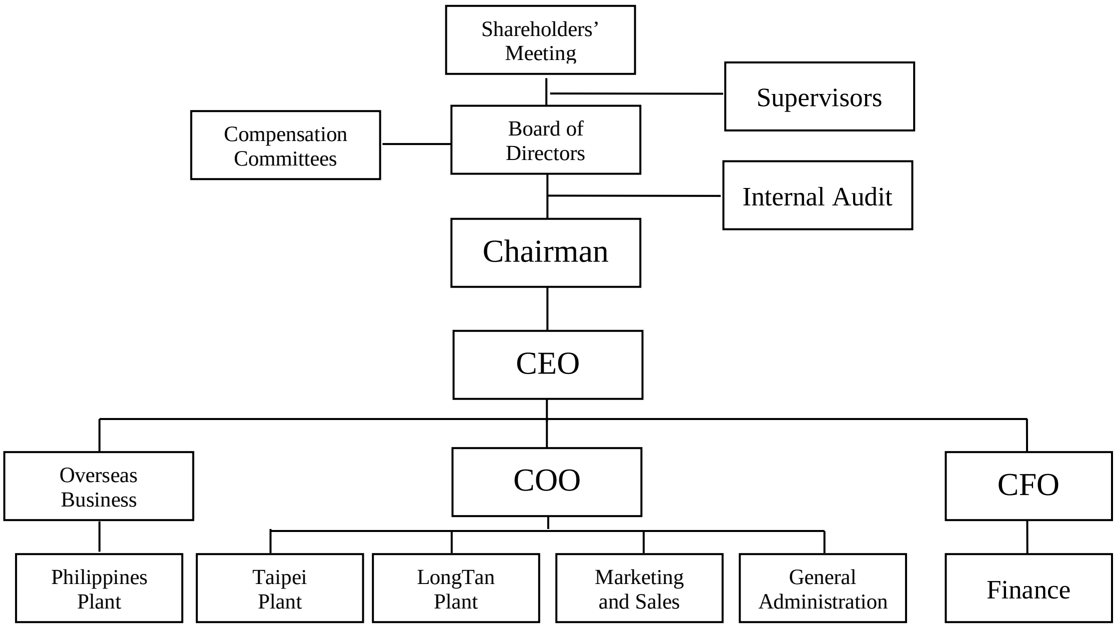
Jun. 2019	The Company held elections for all Directors and established the Audit Committee to strengthen corporate governance.
Dec. 2019	Expanded operation scale and increase competitiveness, the Board of Directors of the Company resolved to issue new shares for share conversion with Kingpak Technology Inc.

3. Corporate Governance Report

3.1 Corporate Organization

3.1.1. Corporate Organizational Structure

Tong Hsing Electronics Organizational Chart



3.1.2. Organizational Functions:

Department	Major Functions
(1)Finance	a. Manage cash flow, financial analysis and reporting, taxations, accounting and shareholder service. b.Cost accounting and production cost analysis.
(2)Marketing and Sales	a.Order management, customer service, production scheduling and shipping. b.Domestic and international sales activities and new customer development.
(3)General Administration	a.Information system management. b.Personnel planning, and general administration. c.Raw materials and equipment buying and acquisition.
(4)Taipei Plant and LongTan Plant	a.All matters related to production administration. b.Outsourcing planning, production process improvement, and product development. c.Raw materials, inventories and assets management.
(5)Overseas Business	Planning and conducting operating of Philippines Plant.
(6)Internal Audit	Planning and conducting auditing to all internal operations, and following the remedial progress and offering improvement advice to the top-management.

3.2. Information Regarding Directors and Management Team

3.2.1 Board Members

3.2.1.1. Information Regarding Board Members

As of 04/07/2020

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors &Supervisors being spouse or immediate relation with Directors & Supervisors		
							Shares	Shares	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Tie-Min Chen	Male	108.06.21	3	108.06.21	10,814	%		%	-	-	-	-	Bachelor Degree in Engineering, National Cheng Kung University	President and Chief Executive Officer, Yageo Corp. Chairman, Chilisin Electronics Corp.	-	-	-
Director	R.O.C	TONG HSING FOOD IND. CORP.	-	108.06.21	3	108.06.21	51,000	0.03%	51,000	0.03%	-	-	-	-	Not Applicable-	Not Applicable -	-	-	-
	R.O.C	Representative :Hsi-Hu Lai	Male						186,637	0.11%	-	-	-	-	Bachelor Degree in Department of Economics, Soochow University Vice President, Tong Hsing Electronic Ind., Ltd. Chief of Staff, Tong Hsing Electronic Ind., Ltd.	Chairman, Tong Hsing Electronic Ind., Ltd.	-	-	-
Director	R.O.C	Multifield Investment Inc.	-	108.06.21	3	108.06.21	106,000	0.06%	106,000	0.06%	-	-	-	-	Not Applicable	Not Applicable	-	-	-
	R.O.C	Representative : Shao-Pin Ru	Male						688,192	0.42%	7,615	0.00%	-	-	Bachelor Degree in Department Electrical Engineering, National Taiwan University	CEO, Tong Hsing Electronic Ind., Ltd.	-	-	-
Director	R.O.C	Kaimei Electronic Corporation	-	108.06.21	3	108.06.21	12,444,882	7.53%	12,509,882	7.57%	-	-	5,000,000	3.02%	Not Applicable	Not Applicable	-	-	-
	R.O.C	Representative : Chi-Sheng Weng	Male						-	-	-	-	-	-	Bachelor Degree in Department of Public Administrator, National Chengchi University Chairman, Teapo Electronic Corporation	Chairman, Kaimei Electronic Corporation	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors &Supervisors being spouse or immediate relation with Directors & Supervisors		
							Shares	Shares	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	MYW Investment Limited	-	108.06.21	3	107.06.15	5,000,000	3.02%	5,000,000	3.02%	-	-	-	-	Not Applicable	Not Applicable	-	-	-
	R.O.C	Representative : Pen-Chi Chen	Female						3,000	0.00%-	-	-	-	-	Bachelor Degree in Department of Accounting, Fu Jen Catholic University Auditing Manager, PwC Taiwan Accounting Assistant Manager, Kuo-E Corp.	Financial Assistant General Manager, Kaimei Electronic Corp. MYW Investment Limited.	-	-	-
Director	R.O.C	Shi Hen Enterprise Limited	-	108.06.21	3	108.06.21	10,000	0.01%	10,000	0.01%	-	-	-	-	Not Applicable	Not Applicable	-	-	-
	R.O.C	Representative : Shu-Chen Tsai	Female						-	-	-	-	-	-	Catholic Sheng Kung Girls' High School Chairman and President, Hsin Bung Co., Ltd.	Chairman and President, Hsin Bung Co., Ltd. Chairman, Shi Hen Enterprise, Ltd	-	-	-
Independent Director	R.O.C	Shih-Chien Yang	Male	108.06.21	3	108.06.21	-	-	-	-	-	-	-	-	Master Degree in Electrical Engineering, National Taiwan University Master Degree and PhD. of Electrical Engineering, Northwestern University, USA General Director of Minister of Industrial Development Bureau, Ministry of Economic Affairs	Chairman and CEO, Global Strategic Investment Fund Chairman, Global Strategic Venture Director of Tecom, Pageo Corp., Teco, Mitac and Global BioPharma, Inc.(GBP) Independent Director, Topkey Corporation and WUS Printed Circuit	-	-	-
Independent Director	Dominica	Tun-Son Lin	Male	108.06.21	3	108.06.21	-	-	-	-	-	-	-	-	PhD of Management, King's College London Chairman and Managing Partner, Whitesun Equity	Chairman and Executive Partner, Whitesun Equity Partners Independent Director, Pageo Corp.	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Selected Current Positions at Other Companies	Other Directors &Supervisors being spouse or immediate relation with Directors & Supervisors		
							Shares	Shares	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Partners Independent Director, Pageo Corp.				
Independent Director	R.O.C	Chin-Tsai Chen	Male	108.06.21	3	96.05.15	-	-	-	-	-	-	-	-	Master Degree in Accounting, Tamkang University, Taiwan Master Degree in Public Administration, University of San Francisco, USA Director, Namchow Chemical Industrial Co., Ltd. General Manager, Namchow Chemical Industrial Co., Ltd.	Vice Chairman, HIWIN Technologies Corp President, WIN Semiconductors Corp. Chairman, HIWIN Technologies Corp. Supervisor, Inventec Solar Energy Corporation Independent Director, Kinsus Interconnect Technology Corp. Independent Director, Tong Hsing Electronic Ind., Ltd. Supervisor, Taipei Financial Center Corp. Director, WIN Semi, USA, Inc. Director, Win Semiconductors Cayman Islands Co., Ltd. Director, ITEQ Corporation Director Representative, WIN Venture Capital Corp. Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands), Ltd. Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	-	-	-

Major Shareholders of the Institutional Shareholders

As of 04/07/2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
TONG HSING FOOD IND. CORP.	I-Ling Yang	19.26%
	Hui-Jie Yang	14.38%
	Yin-Fang Huang	9.99%
	Yin-Chung Huang	9.27%
	Andren Yang	7.50%
	Iwona Yang	7.50%
	Alice Yang	7.25%
	Evelyn Yang	7.23%
	Pei-Chen Yang	4.26%
	Chung-Mei Hsu	1.10%
MYW Investment Limited	Kaimei Electronic Corp.	100.00%
Kaimei Electronic Corp.	Yageo Corporation	5.98%
	Nomura Internation PLC	2.18%
	Li-Ju Huang	1.67%
	Tripartite Therapeutics INC.	1.40%
	Kuo Shin Investment Co,.	1.34%
	Hui-Lin Lee,	1.14%
	Bothhand Enterprise INC.	1.00%
	Global Prime Partners Ltd	0.77%
	Shao Chiao Co., Ltd.	0.74%
	Chen-Hsi Chang	0.67%
Multifield Investment Inc.	Hyin-zhong Huang	34.62%
	Yen-Hsu Lai	15.38%
	Yic-Chang Yang	15.38%
	Hsiu-Chieh Yang	15.38%
	Yi-Tzu Lai	6.15%
	Tsai-Hui Lin	4.62%
	Yin-Fang Huang	3.85%
	Hsi-Hu Lai	1.54%
	Wei-Lin Peng	1.54%
	Shao-Wei Peng	1.54%
Shi Hen Enterprise Limited	Hsu Tai Investment Ltd.	99%

Major shareholders of the Company’s major institutional shareholders

As of 04/07/2020

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	%
Yageo Corporation	Tie-Min Chen	8.20%
	PRC HOLDING LIMITED	8.14%
	CTBC BANK CO., LTD IN CUSTODY FOR Dominant Investment Holdings Ltd.	8.13%
	MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. ACTING AS CUSTODAIN FOR THE INVESTMENT ACCOUNT OF WHOLLY GROUP JAPAN III	2.94%
	Fubon Life Insurance Co., Ltd	2.72%
	Labor Pension Fund	1.97%
	JPMorgan Chase Bank N.A.	1.59%

	VANGUARD EMERGING MARKETS STOCK INDEX FUND	1.34%
	Hsu Tai Investment Ltd.	1.25%
	Yuanta/P-shares Taiwan Dividend Plus ETF	1.10%
Kuo Shin Investment Co,.	Yageo Corporation	100.00%
Tripartite Therapeutics INC.	After requesting for info.of its sahreholders,feedback was that would not offer info. For us。	
Bothhand Enterprise INC.	Kaimei Electronic Corporation	100%
Shao Chiao Co., Ltd.	Chiao-Chen Wu	26.03%
	Wei-Hsiang Lin	24.66%
	Tzu-Shan Lin	24.66%
	Ruo-Ting Lin	24.66%
Hsu Tai Investment Ltd.	LEE, HWEI-JAN	99.865%
	CHEN, SHAO-WEI	0.045%
	CHEN, SHAO-CHIAO	0.045%
	CHEN, SHAO-MAN	0.045%

3.2.1.2. Directors' and Supervisors' Professional Qualifications and Independence Information

As of 04/07/2020

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Tie-Min Chen			✓				✓					✓	✓	✓	✓	0
Tong Hsing Enterprise Corporation Representative: Hsi-Hu Lai			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Multifield Investment Inc. Representative: Shao-Pin Ru			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kaimei Electronic Corporation Representative: Chi-Sheng Weng			✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	0
MYW Investment Limited Representative: Pen-Chi Chen			✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	0

Shi Hen Enterprise Limited Representative: Shu-Chen Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih-Chien Yang			✓	✓		✓	✓	✓			✓	✓	✓	✓	✓	2
Tun-Son Lin			✓	✓		✓	✓	✓			✓	✓	✓	✓	✓	2
Chin-Tsai Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates;
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent or subsidiary;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company or ranks as of its top five shareholders;
6. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx";
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
9. Not been a person of any conditions defined in Article 30 of the Company Law;
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
11. Not been a person of any conditions defined in Article 30 of the Company Law; and
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team Information Regarding Management Team

As of 04/07/2020

Title	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Other Positions	Managers Who are Spouses or Within Second-degree of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President, and CEO	R.O.C	Shao-Pin Ru	Male	06/19/2013	688,192	0.42%	7,615	0.00%	-	-	Bachelor degree in Electrical Engineerring, National Taiwan University. Master degree in Business and Management, National Chiao Tung University. President, Tong Hsing Electronic Ind., Ltd.	-	-	-	-
COO	R.O.C	Jia-Shuai Chang	Male	09/16/2013	67,000	0.04%	4,000	0.00%	-	-	Vice President, Impac Technology Co., Ltd. Manager of R&D Department, Walsin Thz Technology Corp. Manager of Electronic and Optoelectronic System Research Laboratories, ITRI. Doctor degree in Physics, National Tsing Hua University. Vice President, Tong Hsing Electronic Ind., Ltd.	-	-	-	-
Factory Manager	R.O.C	Shou-Jen, Hou	Male	108.10.30	-	-	3,000	0.00%	-	-	Master of Mechanical Engineering, Rensselaer Polytechnic Institute(RPI)	-	-	-	-
Factory Manager	R.O.C	Cheng-Yi, Tsai	Male	109.02.05	-	-	-	-	-	-	Master of Mechanical Engineering, National Taiwan Science University TSMC Limited.	-	-	-	-
Factory Manager	R.O.C	Jin-Xing Lin	Male	10/01/2005	71,672	0.04%	4,620	0.00%	-	-	Bachelor degree in Electronics, National Taipei University of Technology. Master degree in Entrepreneurship, Asian Institute of Management. Vice President, Tong Hsing Electronics Phils. Inc.	-	-	-	-
Senior Manager	R.O.C	Jia-Li Huang	Female	03/10/2017	41	0.00%	-	-	-	-	Bachelor degree in Public Finance, National Chung Hsing University. Junior Manager, Advance Engineering (B.V.I.) Co., Ltd., Taiwan Branch.	-	-	-	-

Title	Nationality	Name	Gender	On-board Date	Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and Selected Past Positions	Other Positions	Managers Who are Spouses or Within Second-degree of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
											Department of Fiance, TUNTEX INCORPORATION.				
Senior Manager	R.O.C	Bao-Yuan Chen	Male	10/01/2017	2,000	0.00%	-	-	-	-	Master degree in Industrial Engineering and Management, National Chiao Tung Univerity. Bachelor degree in Industrial and Systems Engineering, Chung Yuan Christian University. Bachelor degree in Electrical Engineering, National United University. Senior Manager, Tong Hsing Electronic Ind., Ltd. Manager, Impact Technology Co., Ltd. Director, Syskey Technology Co. Factory manager of MACASE INDUSTRIAL CORP.	-	-	-	-

3.3. The Compensation of Directors, Supervisors and Managers

3.3.1 Compensation of Directors

Unit: NTD thousands/ Shares in thousands/ %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Total A,B,C, D as % of EAIT</th><th colspan="8">Employment-related Remuneration</th><th colspan="2" rowspan="2">Total A,B,C,D,E,F,Gas % of EAIT</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A) (Note 1)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Directors Compensation (C) (Note 2)</th><th colspan="2">Business implementation expenses (D) (Note 3)</th><th colspan="2">Salary, bonuses and special expenses (E) (Note 4)</th><th colspan="2">Retirement pension (F)</th><th colspan="4">Employee compensation (G) (Note 5)</th></tr>
<tr><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th colspan="2">From TH</th><th colspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Tie-Min Chen</td><td rowspan="7">31,526</td><td rowspan="7">31,526</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">11,176</td><td rowspan="7">11,176</td><td rowspan="7">1,795</td><td rowspan="7">1,795</td><td rowspan="7">6.00%</td><td rowspan="7">6.00%</td><td rowspan="7">7,853</td><td rowspan="7">7,853</td><td rowspan="7">108</td><td rowspan="7">108</td><td rowspan="7">2,310</td><td rowspan="7">-</td><td rowspan="7">2,310</td><td rowspan="7">-</td><td rowspan="7">7.38%</td><td rowspan="7">7.38%</td><td rowspan="7">None</td></tr>
<tr><td>Director</td><td>Tong Hsing Enterprise Corporation Representative: Hsi-Hu Lai</td></tr>
<tr><td>Director</td><td>Multifield Investment Inc. Representative: Shao-Pin Ru</td></tr>
<tr><td>Director</td><td>Kaimei Electronic Corporation Representative: Chi-Sheng Weng</td></tr>
<tr><td>Director</td><td>MYW Investment Limited Representative: Pen-Chi Chen</td></tr>
<tr><td>Independent Director</td><td>Shi Hen Enterprise Limited Representative: Shu-Chen Tsai</td></tr>
<tr><td>Independent Director</td><td>Shiang-Shiang Wu</td></tr>
<tr><td>Independent Director</td><td>Shih-Chien Yang</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">5,626</td><td rowspan="4">5,626</td><td rowspan="4">303</td><td rowspan="4">303</td><td rowspan="4">0.80%</td><td rowspan="4">0.80%</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">0.80%</td><td rowspan="4">0.80%</td><td rowspan="4">None</td></tr>
<tr><td>Independent Director</td><td>Tun-Son Lin</td></tr>
<tr><td>Independent Director</td><td>Chin-Tsai Chen</td></tr>
<tr><td>Independent Director</td><td>Chao-Te Wu</td></tr>
</table>

Levels of Amounts of Compensation

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities
Under 1,000,000 元	-	-	-	-
1,000,001～2,000,000	Kaimei Electronic Corporation Representative: Chi-Sheng Weng, Shi Hen Enterprise Limited Representative: Shu-Chen Tsai,, Tong Hsing Enterprise Corporation, Multifield Investment Inc, Shao-Pin Ru, Chao-Te Wu, Shiang- Shiang Wu, Tun-Son Lin, Shih-Chien Yang	Kaimei Electronic Corporation Representative: Chi-Sheng Weng, Shi Hen Enterprise Limited Representative: Shu-Chen Tsai,, Tong Hsing Enterprise Corporation, Multifield Investment Inc, Shao-Pin Ru, Chao-Te Wu, Shiang- Shiang Wu, Tun-Son Lin, Shih-Chien Yang	Kaimei Electronic Corporation Representative: Chi-Sheng Weng, Shi Hen Enterprise Limited Representative: Shu-Chen Tsai,, Tong Hsing Enterprise Corporation, Multifield Investment Inc, Shao-Pin Ru, Chao-Te Wu, Shiang- Shiang Wu, Tun-Son Lin, Shih-Chien Yang	Kaimei Electronic Corporation Representative: Chi-Sheng Weng, Shi Hen Enterprise Limited Representative: Shu-Chen Tsai,, Tong Hsing Enterprise Corporation, Multifield Investment Inc, Shao-Pin Ru, Chao-Te Wu, Shiang- Shiang Wu, Tun-Son Lin, Shih-Chien Yang
2,000,001～3,500,000	MYW Investment Limited, Representative: Pen-Chi Chen Chin-Tsai Chen	MYW Investment Limited, Representative: Pen-Chi Chen Chin-Tsai Chen	MYW Investment Limited, Representative: Pen-Chi Chen Chin-Tsai Chen	MYW Investment Limited, Representative: Pen-Chi Chen Chin-Tsai Chen
3,500,001～5,000,000	-	-	-	-
5,000,001～10,000,000	Tie-Min Chen	Tie-Min Chen	Tie-Min Chen	Tie-Min Chen
10,000,001～15,000,000			Shao-Pin Ru	Shao-Pin Ru
15,000,001～30,000,000	Hsi-Hu Lai	Hsi-Hu Lai	Hsi-Hu Lai	Hsi-Hu Lai
30,000,001～50,000,000	-	-	-	-
50,000,001～100,000,000	-	-	-	-
Over 100,000,001	-	-	-	-
Total	13	13	13	13

Note 1: Remunerations to the directors in the current year include director's salary, directors' allowances, severance pay, various bonuses, incentive payments, etc.
Note 2: These are 2019 director remunerations proportionally divided among the directors and supervisors. The compensation of NT$18,938 thousand has been resolved by the Board Meeting and is pending for approval by the shareholders' meeting.
Note 3: Professional service fees paid to the director (including traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.).
Note 4: The figures show payments that include salaries, supervisors' allowances, severance pay, bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc. paid to the directors who were also the Company's employees (include the president, vice presidents, other managers and employees).
Note 5: This is the total 2019employee compensation paid to the directors who are also the Company's employees (include the president, vice presidents, other managers and employees), NT$ 66,728 thousand. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year. An appendix listed "Manager Compensation Distribution" is attached here for the details.
Note 6: New directors were elected in the Shareholders' meeting on June 21st, 2019。
Note 7: Mr. His-Hu Lai's position as Chairman of Tong Hsing was removed after his tenure expired on June 21st, 2019, and he continued to serve as the Representative of Tong Hsing Enterprise Corporation。
Note 8: Mr. Shao-Pin Ru, CEO and Director of Tong Hsing, removed his position as director in the Shareholder's Meeting on June 21st, 2019, and continued to serve as the CEO of Tong Hsing and Representative of Multifield Investment Inc.。
Note 9: MYW Investment Limited continued to serve as the director of Tong Hsing on June 21st, 2019. The representative is changed from Ms. Jia-Li Huang to Pen-Chi Chen。
Note 10: The tenure of director, Shiang- Shiang Wu expired on June 21st, 2019。
Note 11: Chin-Tsai Chen continued to serve as the independent director of Tong Hsing on June 21st, 2019。

3.3.2 Compensation of Supervisors

Unit: NTD thousands/ %

Title	Name	Remuneration						Total A,B,C as % of EAIT		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A) (Note 1)		Bonus to Supervisors (B) (Note 2)		Business implementation expenses (C) (Note 3)				
		From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities	
Supervisor	Yu-Hsin Tsai	0	0	2,136	2,136	114	114	0.30%	0.30%	None
Supervisor	Chun-Yi Hsu									

Levels of Amounts of Compensation

Range of Remuneration	Name of Supervisors	
	Total Remuneration (A+B+C)	
	From TH	From All Consolidated Entities
Under NT$ 1,000,000 元	-	-
NT$1,000,001～NT$2,000,000	Yu-Hsin Tsai, Chun-Yi Hsu	Yu-Hsin Tsai, Chun-Yi Hsu
NT$2,000,001～NT$3,500,000	-	-
NT$3,500,001～NT$5,000,000	-	-
NT$5,000,001～NT$10,000,000	-	-
NT$10,000,001～NT$15,000,000	-	-
NT$15,000,001～NT$30,000,000	-	-
NT$30,000,001～NT$50,000,000	-	-
NT$50,000,001～NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	2	2

Note 1: Remunerations to the supervisors in the current year include supervisor's salary, supervisors' allowances, severance pay, various bonuses, incentive payments, etc.

Note 2: These are 2019 supervisor remunerations proportionally divided among the directors and supervisors. The compensation of NT$66,728 thousand has been resolved by the Board Meeting and is pending for approval by the shareholders' meeting.

Note 3: Professional service fees paid to the supervisor (including traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc.).

Note 4: Tong Hsing established the Audit Committee to replace the Board of Supervisors on June 21st, 2019

3.3.3 Managers' Compensation

Unit: NTD thousands/ Shares in thousands/ %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 1)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Bonus and special expense (C) (Note 2)</th><th colspan="4">Employee compensation (D) (Note 3)</th><th colspan="2">Total A,B,C,D as % of EAIT</th><th rowspan="3">Compensation Paid to Managers from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th><th colspan="2">From TH</th><th colspan="2">From All Consolidated Entities</th><th rowspan="2">From TH</th><th rowspan="2">From All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President ,and CEO</td><td>Shao-Pin Ru</td><td rowspan="6">26,159</td><td rowspan="6">26,448</td><td rowspan="6">644</td><td rowspan="6">644</td><td rowspan="6">15,746</td><td rowspan="6">16,565</td><td rowspan="6">14,388</td><td rowspan="6">0</td><td rowspan="6">14,388</td><td rowspan="6">0</td><td rowspan="6">5.62%</td><td rowspan="6">5.73%</td><td rowspan="6">0</td></tr>
<tr><td>COO</td><td>Jia-Shuai Chang</td></tr>
<tr><td>Factory Manager</td><td>Jin-Xing Lin</td></tr>
<tr><td>Factory Manager</td><td>Shou-Jen Hou</td></tr>
<tr><td>Factory Manager</td><td>Ming-Kun Chiu</td></tr>
<tr><td>Factory Manager</td><td>Xin-Ye Huang</td></tr>
</table>

Note 1: The Factory manager, Ming-Kuen Chiu retired on February 28th, 2019。

Note 2: The Factory manager, Xin-Ye Huang left the factory on November 4th, 2019。

Note 3: The proposal for the allocation of compensation in year 2019 was approved by Board of Directors on March 18th, 2020, and the resolution of the proposal will be determined in the Shareholders Meeting。

Levels of Amounts of Compensation

<table>
<tr><th rowspan="3">Range of Remuneration</th><th colspan="2">Name of Supervisors</th></tr>
<tr><th colspan="2">Total Remuneration (A+B+C)</th></tr>
<tr><th>From TH</th><th>From All Consolidated Entities</th></tr>
<tr><td>Under NT$ 1,000,000 元</td><td>Ming-Kuen Chiu</td><td>Ming-Kuen Chiu</td></tr>
<tr><td>NT$1,000,001～NT$2,000,000</td><td>Shou-Jen Hou</td><td>Shou-Jen Hou</td></tr>
<tr><td>NT$2,000,001～NT$3,500,000</td><td>Xin-Ye Huang</td><td>Xin-Ye Huang</td></tr>
<tr><td>NT$3,500,001～NT$5,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,001～NT$10,000,000</td><td>Jia-Shuai Chang</td><td>Jia-Shuai Chang</td></tr>
<tr><td>NT$10,000,001～NT$15,000,000</td><td>Shao-Pin Ru</td><td>Shao-Pin Ru</td></tr>
<tr><td>NT$15,000,001～NT$30,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$30,000,001～NT$50,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,001～NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>6</td><td>6</td></tr>
</table>

Note 1: Remunerations to the managers in the current year include manager's salary, managers' allowances, and severance pay.

Note 2: The figures show payments that include bonuses, incentive payment, traveling expense, special allowances, subsidies, dormitory, company cars, in kind payments, etc..

Note 3: This is the total 2019 employee compensation, NT$ 66,728 thousand. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year. An appendix listed "Manager Compensation Distribution" is attached here for the details.

3.3.4 Managers' Compensation

Unit: NTD thousands/ %
As of 12/31/2019

Title		Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President, and CEO	Shao-Pin Ru	-	8,496	8,496	1.15%
	COO	Jia-Shuai Chang				
	Factory Manager	Jin-Xing Lin				
	Factory Manager	Shou-Jen Hou				
	Senior Manager	Bao-Yuan Chen				
	Senior Manager	Jia-Li Huang				

Note 1: This is the total 2019 employee compensation, NT$ 66,728 thousands. The item is pending for the approval by the shareholders' meeting, and the figures shown here are calculated based on the actual distribution percentage from last year.

3.3.5 Comparison of Compensation of Directors, Supervisors and Managers in the Past Two Years

3.3.5.1. Analysis of remuneration as a percentage of income after tax for directors and managers.

Title	2018		2019(Note 1)	
	From TH	From All Consolidated Entities	From TH	From All Consolidated Entities
Directors	8.05%	8.16%	11.38%	11.53%
Supervisors				
Managers				

Note 1: The remuneration of CEO and VP in 2019 is the estimated income
Note 2: Tong Hsing established the Audit Committee to replace the Board of Supervisors on June 21st, 2019。

3.3.5.2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

(1) The base compensation for the directors and supervisors are determined in accordance with the procedures set forth in the Company's Articles of Incorporation and the proposal from the Board Meeting made according to the contribution and participation from each member and references to industry standards. The earnings allocation is also determined in accordance with the Company's Articles of Incorporation and the one proposed by the Board Meeting for the final approval from the shareholders' meeting.

(2) Remunerations to the managers, including salary, bonus and employee compensation, are determined according to the position held, the responsibilities and the contribution of the Company with reference to the industry standards.

(3) Remuneration determination procedures is set in accordance with the Company's Articles of Incorporation and the authorization hierarchy.

(4) Remuneration to directors, supervisors, and managers has taken into account the linkage and balance to the Company's future operating risks and its operating performance.

3.4. Implementation of Corporate Governance

3.4.1 Board of Director

A total of nine (9) meetings [A] of the Board of Directors were held in the most recent year (2019). The attendance of Directors and Supervisors was as follows:

Title	Name	Attendance in Person (B)	Proxy Attendance	Attendance Rate (%) (B)/(A)	Remarks
4 meetings of the 17th Board of Directors were held in the most recent year (2019)					
Chairman	Tie-Min Chen	4	0	100%	Newly-appointed on June 21, 2019
Vice Chairman	Tong Hsing Food Ind. Corp. (Representative: Hsi-Hu Lai)	3	1	75%	Newly-appointed on June 21, 2019
Director	Multifield Investment Inc. (Representative: Shao-Pin Ru)	4	0	100%	Newly-appointed on June 21, 2019
Director	Kaimei Electronic Corp. (Representative: Chi-Sheng Weng)	4	0	100%	Newly-appointed on June 21, 2019
Director	Mu Ye Wen Investment Co., Ltd. (Representative: Pen-Chi Chen)	2	2	50%	Reelected on June 21, 2019 and replaced representative with Pen-Chi Chen
Director	Shi Hen Enterprise Ltd. (Representative: Shu-Chen Tsai)	3	1	75%	Newly-appointed on June 21, 2019
Independent Director	Shi-Chien Yang	3	1	75%	Newly-appointed on June 21, 2019
Independent Director	Tsung-Sheng Lin	4	0	100%	Newly-appointed on June 21, 2019
Independent Director	Chin-Tsai Chen	8	1	89%	Reelected on June 21, 2019
Five (5) meetings of the 16th Board of Directors were held in the most recent year (2019)					
Chairman	Hsi-Hu Lai	5	0	100%	Dismissed upon the end of the term on June 21, 2019
Director	Shao-Pin Ru	5	0	100%	Dismissed upon the end of the term on June 21, 2019
Director	Shaing-Shaing Wu	4	1	80%	Dismissed upon the end of the term on June 21, 2019
Director	MYW Investment Limited (Representative: Jia-Li Huang) (Note)	5	0	100%	Reelected upon the end of the term on June 21, 2019 and replaced representative with Pen-Chi Chen
Independent Director	Chao-Te Wu	4	1	80%	Dismissed upon the end of the term on June 21, 2019
Supervisor	Yu-Chin Tsai	5	0	100%	Dismissed upon the end of the term on June 21, 2019
Supervisor	Chun-Yi Hsu	5	0	100%	Dismissed upon the end of the term on June 21, 2019

Other matters:

1.Should any of the following take place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions and the Company's response to such opinions should be recorded:

(1) For matters listed in Article 14-3 of the Securities and Exchange Act, please refer to the important resolutions of the Board of Directors. In addition, the regulations in Article 14-3 of the Securities and Exchange Act no longer apply to the Company after the establishment of the Audit Committee on June 21, 2019. Refer to the table below "(II) 1. Operations of the Audit Committee" for a description of matters listed in Article 14-5 of the Securities and Exchange Act.

Board meeting date and term	Major Resolutions	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
2019.01.17 (17th meeting of 16th term)	* Approved the change of the branch manager.	Proposal passed without objection from Independent Directors
2019.02.22 (18th meeting of 16th term)	* Approved the appointment of the Chief Executive Officer and Chief Operating Officer of the Company.	Proposal passed without objection from Independent Directors
2019.03.15 (19th meeting of 16th term)	* Approved Company's Internal Control System Statement of year 2018.	Proposal passed without objection from Independent Directors
	* Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules."	
	* Approved the proposal to evaluate the independence and competency of the Company's CPA.	
	* Approved the proposal for the Company's year-end bonus distribution review and remuneration distribution plan for employees, Directors and Supervisors for 2018.	
	* Approved the Company's 2018 Business Report and Financial Statements.	
	* Approved the adoption of the proposal for distribution of 2018 earnings.	
	* Approved the proposal for the cash distribution from capital surplus.	
	* Approved the amendment of the Company's "Articles of Incorporation."	
	* Approved the Company's 2019 Business Plan.	
	* Approved the amendment of the Company's "Rules of Procedures for Board of Directors' Meetings."	
	* Approved the amendments of the Company's "Procedures for Acquisition or Disposal of Assets."	
	* Approved the amendments of the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees."	
	* Approved the abolishment of the Company's "Rules Governing the Election of Directors and Supervisors" and established the "Rules of Procedures for the Election of Directors."	
	* Approved the election of all Directors of the Company.	
	* Approved the nomination of director candidates.	
	* Approved the proposal for the waiver of non-competition clauses for newly elected Directors and their representatives.	
	* Approved the date, location, and reasons for convening the 2019 general shareholders' meeting of the Company.	

	* Approved period and venue for the Company's 2019 general shareholders' meeting and the acceptance of shareholders' proposals and nomination of candidates for Directors.	
2019.05.15 (20th meeting of 16th term)	* Approved the establishment of the Company's "Standard Operating Procedures for Requests Filed by Directors." * Approved the proposal for searching for suitable sites for the production base for the expansion of operations.	Proposal passed without objection from Independent Directors
2019.06.13 (21st meeting of 16th term)	* Approved the proposed acquisition of the land in Zhonghua Section (Heping Road, Bade District), Bade District, Taoyuan City.	Proposal passed without objection from Independent Directors
2019.06.21 (1st meeting of 17th term)	* Approved the election of the 17th Chairman of the Board. * Approved the establishment of the record date for the distribution of cash dividends and capital reserve for 2018. * Approved the Company's proposal to establish an Audit Committee and the Audit Committee Charter in accordance with the law. * Approved the appointment of members of the Audit Committee. * Approved the election of members of the Remuneration Committee.	Proposal passed without objection from Independent Directors

(2) Other resolutions of the Board, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above:
No such occurrences.

2. Directors abstaining in certain proposals for being a stakeholder, (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated):
No such occurrences.
3. The company listed on TWSE/TPEx shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the self (peer) evaluation of the Board of Directors and fill out the "Board of Directors Evaluation Status":
Not applicable because disclosure will be started in 2021.
4. Programs this year and in the most recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation:
The Company has established the Audit Committee to replace the Supervisors on June 21, 2019 to strengthen the functions of the Board.

3.4.2 Audit Committee or Attendance of Supervisors at Board Meetings

1. Operations of the Audit Committee:
The Company established an Audit Committee on June 21, 2019 to replace the Supervisors.
2. A total of 5 (A) meetings of the Board of Directors were held in the previous period.

The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B)/(A)	Remarks
Independent Director	Shi-Chien Yang	5	0	100%	
Independent Director	Tsung-Sheng Lin	5	0	100%	
Independent Director	Chin-Tsai Chen	4	1	80%	

Other matters:
1. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit

Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

<table>
<tr><th>Date/Term</th><th>Resolution and Follow-up Actions</th><th>Matters listed in Article 14-5 of the Securities and Exchange Act</th><th>Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee</th></tr>
<tr><td rowspan="5">2019.08.08
17th term
2nd meeting</td><td>1. Implementation of the audit plan for April to June 2019</td><td rowspan="3">V</td><td rowspan="3">No such circumstances</td></tr>
<tr><td>2. Amendment of the "Internal Control System" and "Internal Audit Rules"</td></tr>
<tr><td>3. Change of the branch manager</td></tr>
<tr><td colspan="3">Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members.
All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.</td></tr>
<tr><td rowspan="8">2019.11.12
17th term
3rd meeting</td><td>1. Implementation of the audit plan for July to September 2019</td><td rowspan="6">V</td><td rowspan="6">No such circumstances</td></tr>
<tr><td>2. Change of CPA due to internal adjustment of the CPA firm</td></tr>
<tr><td>3. Submission of the 2020 Annual Audit Plan</td></tr>
<tr><td>4. Proposed loan for the investee Tong Hsing Electronics (Phils), Inc.</td></tr>
<tr><td>5. The Company plans to apply for the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" from the Ministry of Economic Affairs (MOEA) in accordance with the "Guidelines for the Review of the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" established by the MOEA in Jing-Gong No. 10804603070 Order.</td></tr>
<tr><td>6. The Company plans to apply for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate risk management</td></tr>
<tr><td colspan="3">Audit Committee resolution: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members.</td></tr>
<tr><td colspan="3">The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members.
All attending directors unanimously agreed, noother special proposals were proposed. All items were executed.</td></tr>
<tr><td rowspan="4">2019.12.27
17th term
4th meeting</td><td>1. Proposed the amendment of the Company's "Articles of Incorporation."</td><td rowspan="3">V</td><td rowspan="3">No such circumstances</td></tr>
<tr><td>2. Proposed the amendment of the "Procedures for Acquisition or Disposal of Assets."</td></tr>
<tr><td>3. The Company proposed a share conversion with Kingpak Technology Inc. with new shares as the consideration and issued new shares.</td></tr>
<tr><td colspan="3">Audit Committee resolution: The chair consulted all Committee Members in attendance</td></tr>
</table>

	and the proposals were passed unanimously by the Committee Members.
	The Company's actions in response to the opinions of the Audit Committee: The chair consulted all Committee Members in attendance and the proposals were passed unanimously by the Committee Members. All attending directors unanimously agreed, noother special proposals were proposed. All items were executed.

(2) In addition to the items in the preceding items, other resolutions passed by two-thirds of all the Directors but yet to be approved by the Audit Committee: No such occurrences.

2. Independent Directors abstaining in certain proposals for being a stakeholder, (the name of the Independent Director(s), the content of the proposal, reasons for abstentions and the results of voting counts should be stated): No such occurrences.
3. Independent Directors' communication with internal auditors and CPAs (including communication over the Company's financial and business status and the methods and results, etc.):
   (1) The Company's internal chief internal auditor periodically communicates with the Audit Committee on the results of the audit reports and the chief internal auditor also presents the Internal Audit Report in the quarterly meeting of the Audit Committee. The chief internal auditor also reports to the Audit Committee promptly in the event of special conditions. The Independent Directors of the Company have maintained good communication with the chief internal auditor.
   (2) The CPAs of the Company communicate the results of the audit or review of the quarterly financial statements and other relevant statutory requirements at the quarterly meetings of the Audit Committee. The Independent Directors of the Company have maintained good communication with the CPAs.

1. Participation of Supervisors in the operations of the Board of Directors:

   A total of 5 [A] meetings of the Board of Directors were held in the most recent year (2019). The attendance was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B)/(A)	Remarks
Supervisor	Yu-Chin Tsai	5	100%	
Supervisor	Chun-Yi Hsu	5	100%	

Other matters:
1. Composition and responsibilities of Supervisors:
   (1) Communication with the Company's employees and shareholders: The Supervisors may, when they deem it necessary, communicate directly with employees and shareholders.
   (2) Communication between Supervisors, the chief internal auditor, and the CPAs:
      a. After the audit report and follow-up report are completed, they are submitted to each supervisor for review before the end of the following month. The Supervisors did not raise any objection.
      b. The chief auditor attends the Company's periodic Board of Directors meetings to present the audit report.
      c. From time to time, the Company invites experts such as accountants or lawyers to attend and provide expert opinions in the meetings. Supervisors are permitted to fully communicate with relevant personnel.
2. If a supervisor expresses an opinion during Board Meeting, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the Company's response to the supervisor's opinion should be specified: None.

3.4.3 Implementation of corporate governance and the deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," and the reasons thereof:

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
1. Does the Company establish and disclose its "Corporate Governance Best Practice Principles" based on the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		The Company has established the "Corporate Governance Best Practice Principles" for the purpose of implementing corporate governance and protecting shareholders' interests.	None
2. Shareholding structure & shareholders' rights 2.1 Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		2.1 The Company has appointed a spokesperson and acting spokesperson in accordance with the "Corporate Governance Best Practice Principles" to effectively handle shareholders' suggestions, questions, disputes and litigations. In addition, the Company has appointed KGI Securities to process related stock affairs.	None
2.2 Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		2.2 The depository and clearing system does not allow real-time access to shareholding status from shareholders. List of major shareholders is only accessible after stock transfer has been stopped for the shareholders' meeting and for ex-rights in each year.	None
2.3 Has the company established and enforced risk control and firewall systems with its affiliate companies?	✓		2.3 Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent	None

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
			non-arm's-length transactions.	
2.4 Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		2.4 The Company has established the "Code of Business Conduct" and provides insiders with relevant information from time to time. We also process matter in accordance with requirements in the "Management of Material Information and Prevention of Insider Trading."	None
3. Composition and responsibilities of the Board of Directors 3.1 Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?	✓		3.1 The Board members of the Company have many years of working experience and professional qualifications in business, law, and finance which are in compliance with the "Corporate Governance Best Practice Principles."	None
3.2 In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees? 3.3 Does the Company formulate rules and procedures for the Board of Directors' performance evaluation, conduct performance evaluation on the Board of Directors on a regular basis every year, report the results of performance evaluation to the Board of Directors, and apply the results to the individual Directors' remuneration and nomination for reappointment?		✓ ✓	3.2 The Company has established the Remuneration Committee and the Audit Committee and its Articles of Association but has not yet established other functional committees. 3.3 The Company has not set up the "Regulations for Evaluating the Performance of the Board of Directors" but has complied with the requirements in the "Corporate Governance Best Practice Principles."	They will be set up based on the Company's development needs and statutory requirements. The evaluations shall be implemented in the future according to laws.

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
3.4 Does the Company regularly assess on the independence of CPAs?	✓		3.4 The Company obtains a declaration of independence from the CPA and assessment results showing that they are not related parties each year. They have been passed in resolutions of the Board of Directors.	None
4. Has the Company set up a full-time (part-time) unit or appointed designated personnel to handle governance related affairs (including but not limited to supplying information requested by the directors and supervisors, processing company registration and change of registration and preparing minutes of the board meetings and shareholders' meetings)?		✓	The Company has not designated a Corporate Governance Officer and the Finance Division currently operates as the part-time unit for corporate governance. Appropriate and competent corporate governance personnel have been assigned to take charge of corporate governance matters to protect the interests of the shareholders and process matters related to the Board and shareholders' meetings.	The evaluations shall be implemented in the future according to laws.
5. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company has set up a stakeholders' section on the Company's website, and specified the contact methods of the spokesperson and businesses on the Company's website in order to adequately respond to the relevant issues raised by stakeholders.	None
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed KGI Securities to process affairs related to shareholders meetings.	None

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
7. Information disclosure 7.1 Has the Company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status?	✓		7.1 Information on the Company's financial operations and corporate governance has been disclosed on the Company's website. The Company's website is www.theil.com.	None
7.2 Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?	✓		7.2 The Company has set up an investor section on its website to disclose financial information and related information on investor conferences and corporate governance. A stakeholders' section has been set up to adequately respond to relevant questions.	None
7.3 Has the Company announced and reported the annual financial report within two months after the end of the fiscal year, and announced and declared the financial reports of the first, second and third quarter and the operating conditions of each month before the prescribed period?		✓	7.3 The Company announced and reported annual financial report within three months after the end of financial year. The first, second, and third quarter financial reports and business performance of each month are also announced and reported within the prescribed time.	We shall continue to make improvements with the aim of providing annual financial reports ahead of schedule.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation	✓		8.1 The Company is committed to providing employees with a healthy and safe work environment and smooth communication channels. We have established the Employee Welfare Committee to provide benefits and care for labor relations. 8.2 Purchase orders are used by the Company and suppliers to specify the rights and obligations of both parties to protect the legal interests of both	None

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
of customer policies, and participation in liability insurance by Directors and Supervisors)?			parties. 8.3 With regard to environmental pollution, the Company has installed waste gas and sewage treatment equipment and has passed ISO 14001 Environmental Management System certification and ISO 45001 Occupational Safety and Health Management System certification. 8.4 The Company is committed to financial transparency and strengthened corporate governance to protect the rights of stakeholders. 8.5 The continuing education courses taken by Directors have been disclosed on the Market Observation Post System. 8.6 The Company measures and reviews its risk management policies and risk measurement standards through monthly production and sales meetings. Therefore, the implementation of these policies has been sound. 8.7 The Company has appointed professional customer service personnel to provide channels for services and solutions for customers' questions. 8.8 The Company has purchased liability insurance for all Directors and important employees of the Company each year, reported the amount and coverage of the insurance to the Board of Directors, and disclosed the information on the Market Observation Post System.	

Evaluation item	Implementation status			Deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons" thereof
	Yes	No	Description	
9. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. The Company has evaluated the results of corporate governance evaluation and improvement measures evaluated by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and listed the following items as the Company's priorities for enhancement and improvement: (1) Enhancement of the disclosure of corporate governance information on the Company's website and annual report to protect the interests of shareholders, strengthen the functions of the Board, and increase information transparency.				

Directors' continuing education hours in 2019

Title	Name	Continuing education date	Organizer	Class title	Training hours
Independent Director	Shi-Chien Yang	2019/08/14	Taiwan Mergers & Acquisitions and Private Equity Council	Shareholder Activism and Undesirable Mergers and Acquisitions	3.0 hours
Independent Director	Chin-Tsai Chen	2019/06/20	Taiwan Corporate Governance Association	AML/CFT and Insider Trading	3.0 hours
		2019/01/23	Taiwan Institute of Directors	2019 Foreign Investor Forum: Attract High-Quality Capital X Investments in Good Businesses in Taiwan	3.0 hours
		2019/01/10	Corporate Operation Association of the Republic of China	Discussion on the Future Development of the Capital Market and Opportunities for Industrial Consolidation, Mergers and Acquisitions in Taiwan Based on Domestic and International Political and Economic Conditions	3.0 hours

3.4.4 Composition, Responsibilities and Operations of the Compensation Committee

3.4.4.1. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

Members of the 3rd Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chin-Tsai Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chao-Te Wu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Committee Member	Shu-Shan Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others‟ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

Members of the 4th Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shi-Chien Yang			✓	✓		✓	✓	✓			✓	✓	✓	2	
Independent Director	Tsung-Sheng Lin			✓	✓		✓	✓	✓			✓	✓	✓	2	
Independent Director	Chin-Tsai Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not a person of any conditions defined in Article 30 of the Company Law.

3.4.4.2. The state of Remuneration Committee's participation to the board meetings

1. There are three members in the Remuneration Committee of the Company.
2. Tenure of the session of 4th Remuneration Committee is from June 21, 2019 to June 20, 2022. Tenure of the session of 3rd Remuneration Committee was from June 16, 2016 to June 15, 2019

A total of 3(A) meetings of Remuneration Committee were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate (%) (B)/(A)	Remark
Convener	Tsung-Sheng Lin	2	0	100%	Newly appointed on June 21, 2019
Committee Member	Shi-Chien Yang	2	0	100%	Newly appointed on June 21, 2019
Convener (3rd term) Committee Member (4th term)	Chin-Tsai Chen	2	1	67%	Reelected upon the end of the term on June 21, 2019
Committee Member	Shao-Te Wu	1	0	100%	Dismissed upon the end of the term on June 21, 2019
Committee Member	Shu-Shan Lin	1	0	100%	Dismissed upon the end of the term on June 21, 2019

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors and the Company's response to the Remuneration Committee's opinion:
   There was no recommendation of the Remuneration Committee which was not adopted or was modified by the Board of Directors in 2019.
2. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:
   There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.

3.4.5 Performance of social responsibility and differences between the performance and "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof.

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company conducts annual social responsibility risk surveys and audits through different units, and formulates improvement measures and tracks their implementation according to the results of risk surveys and audits. The Company has established its corporate social responsibility policy and holds annual review meetings to continuously promote corporate social responsibility.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		✓	The Company conducts annual social responsibility risk surveys and audits through different units and organizes review meetings to continue to promote corporate social responsibility.	The Company will continue to improve and establish a dedicated unit according to the Company's development needs and statutory requirements to report to the Board of Directors.
3. Environmental issues 3-1. Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		3-1. The Company has established the Environmental Safety and Health Management Regulations which are in compliance with relevant regulations, and has also obtained ISO 14001 Environmental Management System certification.	None

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
3-2. Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		3-2. The Company has set up dedicated units to take charge of air and water pollution prevention and waste management, and has appointed qualified waste disposal companies to clear, dispose of, and recycle waste. In addition to compliance with relevant regulations, we also continue to promote wastewater recycling and reuse and reduce the use of resources to reduce environmental pollution.	None
3-3. Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		3-3. The Company formulates energy conservation and carbon emissions reduction strategies based on the impact of operating activities. We implement various energy-saving measures to reduce the impact of the Company's operations on the natural environment.	None
3-4. Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management ?	✓		3-4. The Company compiles monthly statistics on water consumption, electricity consumption, and total weight of waste, and sets improvement goals and schedules to achieve energy conservation, carbon emissions reduction, and cost reduction.	None
4. Social issues 4.1. Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		4.1. The Company complies with the Labor Standards Act and other relevant labor laws and regulations for the establishment and amendments of the "Work Rules."	None

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
4.2. Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		4.2. The Company has established "Work Rules" and "Employee Performance Evaluation Regulations" and determines employees' compensation based on attendance and appraisal results.	None
4.3. Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		4.3. The Company organizes regular health examination for employees and fire drills from time to time to familiarize employees with emergency response plans and procedures and minimize the impact of such emergencies on them. We have also obtained ISO 45001 Occupational Safety and Health Management System certification.	None
4.4. Does the company provide its employees with career development and training sessions?	✓		4.4. The Company organizes annual education and training programs and professional training courses in accordance with annual business strategies, new policies, laws and regulations, and job function requirements.	None
4.5. Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	✓		4.5. The Company provides manufacturing services in accordance with customer requirements, relevant laws and regulations, and international standards.	None
4.6. Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights	✓		4.6. The Company has established supplier management procedures and requires suppliers to provide a CSR statement to comply with CSR requirements. If a violation of the social responsibility policy is found,	None

Evaluation item	Implementation status			Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
and supervised its implementation?			the Company shall request immediate improvement. Where the supplier fails to implement improvements after successive requests, the Company shall terminate the partnership.	
5. Does the Company follow the international reports to prepare standards or guidelines, corporate social responsibility reports and other reports that disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		✓	The Company has yet to produce a Corporate Social Responsibility Report, but the Company has established the "Corporate Social Responsibility Policy" and implements the Policy in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."	The Company has yet to be required by the law to prepare a Corporate Social Responsibility Report and the publication of such reports shall be evaluated based on the Company's development and statutory requirements.
6. If the Company has established the "Corporate Social Responsibility Best Practice Principles" based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: The Company has established the "Corporate Social Responsibility Policy" and implements the Policy in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."				
7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: 7.1 Environmental protection: We have installed pollution control equipment for processing waste gas and wastewater in accordance with related laws and regulations to reduce the impact on the environment. We have also appointed qualified waste disposal companies to recycle and reuse the waste to reduce the burden on the environment as a result of the consumption of resources. The Company shall also continue to promote wastewater recycling to reduce environmental pollution. 7.2 Public Welfare: The Company participates in activities related of charitable organizations from time to time in order to fulfill corporate social responsibility.				

3.4.6 Implementation of ethical corporate management and difference between the implementation and the "Ethical Corporate Management Best Practice Principles for TWSE & TPEx Listed Companies" and reasons thereof.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs 1.1 Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies? 1.2 Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? 1.3 Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?	✓ ✓ ✓		1.1 The Company has established the "Code of Business Conduct" which was passed in a resolution of the meeting of the Board of Directors and processed in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.". 1.2 The Company has established the "Code of Business Conduct" which prohibits bribery and acceptance of bribes, illegal political donations or inappropriate donations, offering or acceptance of inappropriate interests, infringement of intellectual property rights, unfair competition, and preventing products or services from harming stakeholders. We also periodically review the risks of dishonesty in business operations and revise regulations to ensure compliance. 1.3 The Company has established the "Code of Business Conduct" which specifies unethical conduct and procedures for punishment. The Company also established a reward and penalty system and set up a reporting mailbox under the charge of dedicated personnel to ensure implementation.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy 2.1 Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		2.1 The Company operates based on an ethical business model and has evaluated transaction counterparties for records of dishonest conduct in their transactions. We also specified the terms and conditions for compliance in confidentiality agreements.	None
2.2 Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?		✓	2.2 The Company has yet to establish a dedicated unit to promote corporate ethical management but has implemented operations in accordance with the "Ethical Corporate Management Best Practice Principles." We shall continue to promote the establishment of dedicated units and regularly report to the Board of Directors	The Company will continue to improve and establish a dedicated unit according to the Company's development needs and statutory requirements to report to the Board of Directors.
2.3 Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓ ✓	✓	2.3 The Company has established the "Code of Business Conduct" to prevent conflicts of interest and set up a suggestion mailbox and a complaint mailbox to provide channels for reports and communication. Individuals may report any conflict of interest or unethical conduct to the Company for immediate processing	None
2.4 Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit			2.4 The Company has set up the Audit Office which is responsible for auditing all operations of the Company and its subsidiaries. In addition to implementing the audit plans approved by the	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? 2.5 Does the company regularly hold internal and external educational trainings on operational integrity?			Board of Directors, personnel of the Audit Office regularly attend meetings of the Board of Directors to report its audits. Where unethical conduct is discovered, the Audit Office also immediately reports to Independent Directors.. 2.5 From time to time, the Company promotes training for ethical management, organizes internal training or participates in external courses, or assigns personnel to attend external training courses.	The Company will continue to improve and organize regular training.
3. Operations of the integrity channel 3.1 Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? 3.2 Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? 3.3 Does the company provide proper whistleblower protection?	✓ ✓ ✓		3.1 The Company has established a complaint channel and set up a suggestion mailbox to process employee complaints and disciplinary matters. The Company has also set up a stakeholders' section on its website as a reporting channel. 3.2 The Company has established the "Code of Business Conduct" which specifies the reporting channels and related operating procedures for confidentiality. 3.3 The Company has established the "Code of Business Conduct" and specified related confidentiality procedures to protect reporters from retribution or improper treatment..	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>4. Enhancing information disclosure
4.1 Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</td><td></td><td>✓</td><td>4.1 The Company has not yet disclosed related information on ethical management on the Company's website. The Company shall continue to improve the contents of information disclosure in accordance with laws and regulations. The Company's website is www.theil.com.</td><td>The Company will continue to improve disclosure items.</td></tr>
<tr><td colspan="5">5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.
The Company has established a "Code of Business Conduct" based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and aim to implement the policy gradually.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company's ethical corporate management policies. (e.g., review and amend its policies): None.</td></tr>
</table>

3.4.7 How the Information of the Company's Corporate Governance Policy can be Obtained in Public:

The Company has set up "Corporate Governance Best-Practice Principles" and disclosed information about stakeholders and corporate governance on the company's website and MOPS. The corporate website is www.theil.com.tw.

3.4.8 Other Information Provides a Better Understanding of the Company's Corporate Governance Status: None

3.4.9 Internal Control System Execution Status

3.4.9.1 Statement of Internal Control System

TONG HSING ELECTRONIC INDUSTRIES, LTD.
Statement of Internal Control System

Date: March 18, 2020

Based on the self-assessment findings, Tong Hsing Electronic Industries, Ltd. (TH) states the following with regard to its internal control system during the year 2019.

1. TH's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and TH takes immediate remedial actions in response to any identified deficiencies.
3. TH evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations").
   The criteria adopted by the Regulations identify five key components of managerial internal control: (1)control environment, (2)risk assessment, (3)control activities, (4)information and communication, and (5)monitoring activities.
4. TH has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations
5. Based on the findings of such evaluation, TH believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of TH's annual report for the year 2018 and prospectus, and will be made public. Any falsehood, concealment, or other illegalities in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was passed by the board of directors in their meeting held on March, 15, 2019, with none of the six attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

Tong Hsing Electronic Industries, Ltd.

Tie-Min Chen
Chairman

Shao-Pin Ru
President and Co-Chief Executive Officer

3.4.9.2 CPA Audit Report for Internal Control System of the Company: None.

3.4.10 Description of Violations/Infringement of Regulations and the Company's Response: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

3.4.11.1. Major Resolutions of Shareholders' Meeting and Implementation Status:

(1)The Company's 2019 general shareholders' meeting was held at No. 398, Taoying Road, Taoyuan City (Chu Hsiang Hall, Chuto Plaza Hotel) on June 21, 2019 and the key resolutions and implementation status were as follows:

Major Resolutions	Implementation Status
* Ratified the Company's 2018 Business Report and Financial Statement.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.
* Ratified the Company's 2018 earnings distribution plan.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Designated August 30, 2019 as the ex-right (dividend) baseline date.108/07/31 (NT$5.59715707 shall be distributed for each share)
* Approved the proposal for distributing cash dividends from the Company's capital reserve.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Designated August 30, 2019 as the ex-right (dividend) baseline date.108/07/31 (NT$0.40284293 shall be distributed for each share)
* Approved the amendment of the Company's "Articles of Incorporation."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the amendment of the "Procedures for Acquisition or Disposal of Assets."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the amendments of the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.

* Approved the abolishment of the Company's "Rules Governing the Election of Directors and Supervisors" and established the "Rules of Procedures for the Election of Directors."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Election of all Directors of the Company.	The Chairman consulted all shareholders in attendance present, and they voted in favor of the resolution without objection. Implementation status: The elected Directors were as follows: Directors: Tie-Min Chen, Tong Hsing Food Ind. Corp. (Representative: Hsi-Hu Lai), Chang Hsin Investment Co., Ltd. (representative: Shao-Ping Lu), Kaimei Electronic Corp. (representative: Chi-Sheng Weng), Shi Hen Enterprise Ltd. (representative: Shu-Chen Tsai), Mu Ye Wen Investment Co., Ltd. (representative: Pen-Chi Chen). Independent Directors: Shi-Chien Yang, Tsung-Sheng Lin, Chin-Tsai Chen.
* Proposal for the waiver of non-competition clauses for newly elected Directors and their representatives.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.
* Ratified the Company's 2018 Business Report and Financial Statement.	Approved by voting. Mu Yeh Wen Investment Corp. was by-elected as director.

(2)The Company's first extraordinary shareholders' meeting in 2020 was held at No. 398, Taoying Road, Taoyuan City (Chu Hsiang Hall, Chuto Plaza Hotel) on February 14, 2020 and the key resolutions and implementation status were as follows:

Major Resolutions	Implementation Status
* Approved the amendment of the Company's "Articles of Incorporation."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the amendment of the "Procedures for Acquisition or Disposal of Assets."	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed. Implementation status: Amended and implemented based on the amendment.
* Approved the Company's proposal for a share conversion with Kingpak Technology Inc. with new shares as the consideration and issued new shares.	Based on the results of the vote, the number of votes in favor of the proposal exceeded the statutory requirement and the proposal was passed.

3.4.11.2. Major Resolutions of Board Meetings

Date	Item	Major Resolutions
2019.01.17 17th meeting of the 16th Board	Board of Directors	*Approved the change of the branch manager.
2019.02.22 18th meeting of the 16th Board	Board of Directors	*Approved the appointment of the Chief Executive Officer and Chief Operating Officer of the Company.
2019.03.15 19th meeting of the 16th Board	Board of Directors	* Approved Company's Internal Control System Statement of year 2018. *Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules." *Approved the proposal to evaluate the independence and competency of the Company's CPA. *Approved the proposal for the Company's year-end bonus distribution review and remuneration distribution plan for employees, Directors and Supervisors for 2018. *Approved the Company's 2018 Business Report and Financial Statement. * Approved the adoption of the proposal for distribution of 2018 earnings * Approved the proposal for the cash distribution from capital surplus. *Approved the amendment of the Company's "Articles of Incorporation." *Approved the Company's 2019 Business Plan. *Approved the amendment of the Company's "Rules of Procedures for Board of Directors' Meetings." *Approved the amendments of the Company's "Procedures for Acquisition or Disposal of Assets." *Approved the amendments of the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees." *Approved the abolishment of the Company's "Rules Governing the Election of Directors and Supervisors" and established the "Rules of Procedures for the Election of Directors." *Approved the election of all Directors of the Company. *Approved the nomination of director candidates. *Approved the proposal for the waiver of non-competition clauses for newly elected Directors and their representatives. *Approved the date, location, and reasons for convening the 2019 general shareholders' meeting of the Company. *Approved period and venue for the Company's 2019 general shareholders' meeting and the acceptance of shareholders' proposals and nomination of candidates for Directors.
2019.05.15 20th meeting of the 16th Board	Board of Directors	*Approved the establishment of the Company's "Standard Operating Procedures for Requests Filed by Directors."

2019.06.13 21st meeting of the 16th Board	Board of Directors	*Approved the proposed acquisition of the land in Zhonghua Section (Heping Road, Bade District), Bade District, Taoyuan City.
2019.06.21 1st meeting of the 17th Board	Board of Directors	*Approved the election of the 17th Chairman of the Board. *Approved the establishment of the record date for the distribution of cash dividends and capital reserve for 2018. *Approved the Company's proposal to establish an Audit Committee and the Audit Committee Charter in accordance with the law. *Approved the appointment of members of the Audit Committee. *Approved the election of members of the Remuneration Committee.
2019.08.08 2nd meeting of the 17th Board	Board of Directors	*Approved the Company's 2019 salary adjustments for employees (including managerial officers). *Approved the distribution of remuneration for 2018 to Directors, Supervisors, and employees in 2019. *Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules." *Approved the change of the branch company manager.
2019.11.12 3rd meeting of the 17th Board	Board of Directors	*Approved the change of CPA due to internal adjustment of the CPA firm. *Approved the submission of the 2020 Annual Audit Plan. *Approved the proposed loan for the investee Tong Hsing Electronics (Phils), Inc. *Approved the Company's plan to apply for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate risk management.
2019.12.27 4th meeting of the 17th Board	Board of Directors	*Approved the proposed amendment of the Company's "Articles of Incorporation." *Approved the proposed amendment of the "Procedures for Acquisition or Disposal of Assets." *Approved the Company's proposal for a share conversion with Kingpak Technology Inc. with new shares as the consideration and issued new shares. *Approved the proposed date, location and reasons for convening the Company's first extraordinary shareholders' meeting for 2020.
2020. 01.08 5th meeting of the 17th Board	Board of Directors	*Approved the proposal for the distribution of 2019 year-end bonus for managerial officers.

2020.03.18 6th meeting of the 17th Board	Board of Directors	* Approved Company's Internal Control System Statement of year 2019 *Approved the amendment of the Company's "Internal Control System" and "Internal Audit Rules." *Approved the proposal to evaluate the independence and competency of the Company's CPA. *Approved the proposal for the Company's distribution of remuneration for employees, Directors and Supervisors for 2019. *Approved the Company's 2019 Business Report and Financial Statement. * Approved the adoption of the proposal for distribution of 2019 earnings. *Approved the Company's capital structure adjustment plan. *Approved the Company's proposal for capital reduction without adjusting the ratio of the share conversion with Kingpak Technology Inc. with new shares as the consideration. *Approved the authorization for the Chairman to establish the baseline date for the share conversion between the Company and Kingpak Technology Inc. and the issuance of new shares for capital increase based on actual requirements. *Approved the amendment of the Company's "Articles of Incorporation." *Approved the Company's 2020 Business Plan. *Approved the date, location, and reasons for convening the 2020 general shareholders' meeting of the Company. *Approved period and venue for the Company's 2020 general shareholders' meeting and the acceptance of shareholders' proposals. *Approved the Company's plan to apply for relevant transaction limits with financial institutions to meet the requirements for working capital and interest and exchange rate management. *Investment of US$9.5 million in USD-denominated Wise Road Industry Investment Fund I (pledged investment amount) under the management of Wise Road Capital.

3.4.12 Directors’ or Supervisors’ Objections on the Major Resolutions of Board Meetings: None.

3.4.13 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D:

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Termination
Chairman	Hsi-Hu Lai	2018.12.28	2019.06.21	Termination upon the end of the term and the election of the Board of Directors.

3.5. Information on Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remark
KPMG	Szu-Chuan Chien	Jui-Lan, LO	108.01.01-108.12.31	

Unit: NTD thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000	-	-	-
2	NT$2,000 ~ NT$4,000	-	-	-
3	NT$4,000 ~ NT$6,000	3,770	365	4,135
4	NT$6,000 ~ NT$8,000	-	-	-
5	NT$8,000 ~ NT$10,000	-	-	-
6	Over NT$100,000	-	-	-

Unit: NTD thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	Subtotal		
KPMG	Szu-Chuan Chien Jui-Lan, LO	3,770	-	-	-	365	365	108.01.01-108.12.31	

(Note) Non-audit Fee include: (1) Full-time employees salaries charged 25 thousand, (2) Transfer pricing tax service fee 180 thousand, and (3) Master File service fee 160 thousand.

3.6. Replacement of CPA:

A. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">February 23, 2019</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to internal restructuring, the CPAs of the Company were changed, beginning Spetember 1, 2019.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Status \ Parties</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>Not Applicable</td><td>Not Applicable</td></tr>
<tr><td>Other issues in the audit reports within the last two years</td><td colspan="4">Not Applicable</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td>-</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>-</td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td colspan="2">Audit scope or steps</td></tr>
<tr><td>-</td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Remarks/specify details: None</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="4">None</td></tr>
</table>

B. Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Szu-Chuan Chien and Jui-Lan, LO
Date of appointment	February 23, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not Applicable
Succeeding CPA’s written opinion of disagreement toward the former CPA	Not Applicable -

C.Audit Independence： Not Applicable.

3.7. The Company’s Chairman, Presidents, or Accounting Officers hold any positions in the Company’s independent auditing firm or its affiliates during 2019: None.

3.8. Change in shareholding of Directors, Supervisors, Managers, and Major Shareholders

3.8.1. Change in Equity Interest

Title	Name	2019		01/01/2020 ~ 04/07/2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Tie-Min Chen	-	-	-	-
Vice Chairman	Hsi-Hu Lai	-	-	-	-
Director	Tong Hsing Food Ind. Corp. (Representative: Hsi-Hu Lai)	-	-	-	-
Director	Multifield Investment Inc. (Representative: Shao-Pin Ru)	-	-	-	-
Director	Kaimei Electronic Corp. (Representative: Chi-Sheng Weng)	858,000	-	65,000	-
Director	Mu Ye Wen Investment Co., Ltd. (Representative: Pen-Chi Chen)	-	-	-	-
Director	Shi Hen Enterprise Ltd. (Representative: Shu-Chen Tsai)	-	-	-	-
Director	Shao-Pin Ru	-	(150,000)	-	-
Independent Director	Shi-Chien Yang)	-	-	-	-
Independent Director	Tsung-Sheng Lin	-	-	-	-
Independent Director	Chin-Tsai Chen	-	-	-	-
COO	Jia-Shuai Chang	67,000	-	-	-
Factory Manager	Jin-Xing Lin	(130,000)	-	-	-
Factory Manager	Shou-Jen Hou	-	-	-	-
Factory Manager	Cheng-Yi Tsai	-	-	-	-
Senior Manager	Jia-Li Huang	-	-	-	-
Senior Manager	Bao-Yuan Chen	2,000	-	-	-

Note 1：New Directors were elected at the Shareholders Meeting on June 21st, 2019.。

Note 2：The tenure of Director, Hsi-Hu Lai expired on June 21st, 2019。

Note 3：Mu Ye Wen Investment Co., Ltd was re-elected in the Shareholders' Meeting on June 21st, 2019, but the representative is changed from Ms. Jia-Li Huang to Ms. Pen-Chi Chen。

Note 4：Mr. His-Hu Lai's position as Chairman of Tong Hsing was removed after his tenure expired on June 21st, 2019,and he continued to serve as the Representative of Tong Hsing Enterprise Corporation。

Note 5：Till April 7th, 2020, Kaimei Electronic Corp. held a total of 17,509,882 shares, with its acquisition of 12,509,882 shares together those held under the names of other parties of 5,000,000 shares, which is over 10.59% of total shares of Tong Hsing, and became one of the shareholders holding more than 10% of total shares of Tong Hsing.。

Note 6: Shou-Jen Hou took over the position of factory manager of Taipei Factory in October 2019.

Note 7: Cheng-Yi Tsai took over the position of factory manager of Longtan Factory in February 2020。

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Shares Pledge with Related Parties: None.

3.9. Information Disclosing the Relationship Between any of the Company's Top Ten Shareholders

Name	Current Shareholdings		Spouse and Minor Shareholdings		TH Shareholdings by Nominee Arrangement		Name and Relationship between TH's Shareholders		Noted
	Shares	%	Shares	%	Shares	%	Shares	%	
Kaimei Electronic Corp.	12,509,882	7.57%	N/A	N/A	5,000,000	3.02%	Mu Yeh Wen Investment Corp.	Same Representative	
Tie-Min Chen	10,813,982	6.54%	N/A	N/A	N/A	N/A	N/A	N/A	
Cathay Life Insurance Co., Ltd	9,917,275	6.00%	N/A	N/A	N/A	N/A	N/A	N/A	
Fidelity	7,967,000	4.82%	N/A	N/A	N/A	N/A	N/A	N/A	
New Labor Pension Fund	7,058,885	4.27%	N/A	N/A	N/A	N/A	N/A	N/A	
Mu Yeh Wen Investment Corp.	5,000,000	3.02%	N/A	N/A	N/A	N/A	Kaimei Electronic Corp.	Same Representative	
Public Service Pension Fund Management Board	4,851,000	2.93%	N/A	N/A	N/A	N/A	N/A	N/A	
Labor Retirement Reserve Fund（The Old Fund）	4,424,884	2.68%	N/A	N/A	N/A	N/A	N/A	N/A	
Fubon Life Insurance Co., Ltd.	3,215,000	1.94%	N/A	N/A	N/A	N/A	N/A	N/A	
JPMorgan Chase Bank N.A.	2,588,610	1.57%	N/A	N/A	N/A	N/A	N/A	N/A	

3.10. Ownership of Shares in Affiliated Enterprises

As of 12/31/2019; Unit: Shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TONG HSING ELECTRONICS PHILS. INC.	28,793	100%	-	-	28,793	100%

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Source of Capital

4.1.1.1. Historical Information of Capitalization

As of 04/23/2019
Unit: Shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
Aug. 1975	10	3,000,000	30,000,000	3,000,000	30,000,000	Initial establishment.	None	None
Oct. 1978	10	6,000,000	60,000,000	6,000,000	60,000,000	Capital increase by cash NTD 30,000,000.	None	None
Aug. 1986	10	8,000,000	80,000,000	8,000,000	80,000,000	Capital increase by cash NTD 6,000,000. Capital increase by retained earnings NTD 14,000,000.	None	None
Sep. 1988	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by cash NTD 2,000,000. Capital increase by retained earnings NTD 18,000,000.	None	None
Dec. 1989	10	12,000,000	120,000,000	12,000,000	120,000,000	Capital increase by retained earnings NTD 20,000,000.	None	None
Dec. 1990	10	13,500,000	135,000,000	13,500,000	135,000,000	Capital increase by retained earnings NTD 15,000,000.	None	None
Dec. 1991	10	16,065,000	160,650,000	16,065,000	160,650,000	Capital increase by retained earnings NTD 10,800,000. Capital increase by capital surplus NTD 14,850,000.	None	None
Nov. 1997	10	19,965,000	199,650,000	19,965,000	199,650,000	Capital increase by cash NTD 39,000,000.	None	None
Jul. 1999 (Note 1)	10	80,000,000	800,000,000	36,000,000	360,000,000	Capital increase by cash NTD 160,350,000.	None	None
Jul. 2000 (Note 2)	10	80,000,000	800,000,000	54,800,000	548,000,000	Capital increase by retained earnings NTD 180,000,000. Capital increase by employee bonus NTD 8,000,000.	None	None
Jul. 2001 (Note 3)	10	80,000,000	800,000,000	67,110,000	671,100,000	Capital increase by retained earnings NTD 109,600,000. Capital increase by employee bonus NTD 13,500,000.	None	None
Jul. 2002 (Note 4)	10	93,000,000	930,000,000	73,821,000	738,210,000	Capital increase by retained earnings NTD 67,110,000.	None	None
Jul. 2003 (Note 5)	10	93,000,000	930,000,000	77,912,050	779,120,500	Capital increase by retained earnings NTD 36,910,500. Capital increase by employee bonus NTD 4,000,000.	None	None
Sep. 2006 (Note 6)	10	93,000,000	930,000,000	81,807,652	818,076,520	Capital increase by retained earnings NTD 38,956,020.	None	None
Aug. 2007 (Note 7)	10	150,000,000	1,500,000,000	86,698,034	866,980,340	Capital increase by retained earnings NTD 40,903,820. Capital increase by employee bonus NTD 8,000,000.	None	None
Nov. 2007 (Note 8)	10	150,000,000	1,500,000,000	98,698,034	986,980,340	Capital increase by cash NTD 120,000,000.	None	None
Sep. 2008 (Note 9)	10	150,000,000	1,500,000,000	105,132,935	1,051,329,350	Capital increase by retained earnings NTD 49,349,010. Capital increase by employee bonus NTD 15,000,000.	None	None
Oct. 2008 (Note 10)	10	150,000,000	1,500,000,000	115,132,935	1,151,329,350	Capital increase by cash NTD 100,000,000.	None	None
Feb. 2009 (Note 11)	10	150,000,000	1,500,000,000	114,341,935	1,143,419,350	Capital reduction by treasury stock NTD 7,910,000.	None	None
Aug. 2009 (Note 12)	10	150,000,000	1,500,000,000	120,059,031	1,200,590,310	Capital increase by retained earnings NTD 57,170,960.	None	None
Nov. 2009 (Note 13)	10	150,000,000	1,500,000,000	122,017,531	1,220,175,310	Executive employee warrants in the third quarter of 2009, NTD 19,585,000.	None	None

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
Dec. 2009 (Note 14)	10	150,000,000	1,500,000,000	125,017,531	1,250,175,310	Issuance of common stock through merger, NTD 30,000,000.	None	None
Dec. 2009 (Note 15)	10	150,000,000	1,500,000,000	125,086,531	1,250,865,310	Executive employee warrants in the fourth quarter of 2009, NTD 690,000.	None	None
Jul. 2010 (Note 16)	10	200,000,000	2,000,000,000	141,086,531	1,410,865,310	Capital increase by cash NTD 160,000,000.	None	None
Nov. 2010 (Note 17)	10	200,000,000	2,000,000,000	141,790,531	1,417,905,310	Executive employee warrants in the third quarter of 2010, NTD 7,040,000.	None	None
Apr. 2011 (Note 18)	10	200,000,000	2,000,000,000	141,810,531	1,418,105,310	Executive employee warrants in the fourth quarter of 2010, NTD 200,000.	None	None
Aug. 2011 (Note 19)	10	200,000,000	2,000,000,000	161,810,531	1,618,105,310	Capital increase by cash NTD 200,000,000.	None	None
Nov. 2011 (Note 20)	10	200,000,000	2,000,000,000	162,535,031	1,625,350,310	Executive employee warrants in the third quarter of 2011, NTD 7,245,000.	None	None
Mar. 2012 (Note 21)	10	200,000,000	2,000,000,000	162,708,031	1,627,080,310	Executive employee warrants in the fourth quarter of 2011, NTD 1,730,000.	None	None
May 2012 (Note 22)	10	200,000,000	2,000,000,000	162,878,031	1,628,780,310	Executive employee warrants in the first quarter of 2012, NTD 1,700,000.	None	None
Sep. 2012 (Note 23)	10	200,000,000	2,000,000,000	162,886,031	1,628,860,310	Executive employee warrants in the second quarter of 2012, NTD 80,000.	None	None
Nov. 2012 (Note 24)	10	200,000,000	2,000,000,000	162,907,031	1,629,070,310	Executive employee warrants in the third quarter of 2012, NTD 210,000.	None	None
Mar. 2017 (Note 25)	10	200,000,000	2,000,000,000	165,357,520	1,653,575,200	Convertible bond transferred to common stock, 2,450,489 shares.	None	None
Mar. 2020 (Note 26)	10	400,000,000	4,000,000,000	165,357,520	1,653,575,200	Approved raising Authorized Capital by Ministry of Economic Affairs,R.O.C.	None	None

Note 1: Approved No. (88) Tai Cai Zheng Zi (1) 63696, 07/16/1999.

Note 2: Approved No. (89) Tai Cai Zheng Zi (1) 58483, 07/06/2000.

Note 3: Approved No. (90) Tai Cai Zheng Zi (1) 148167, 07/25/2001.

Note 4: Approved No. Tai Cai Zheng Zi (1) 0910137224, 07/09/2002.

Note 5: Approved No. Tai Cai Zheng Zi (1) 0920129941, 07/09/2003.

Note 6: Approved No. Jin Guan Zheng Zi (1) 0950129596, 07/11/2006.

Note 7: Approved No. Jin Guan Zheng Zi (1) 0960028615, 06/05/2007.

Note 8: Approved No. Jin Guan Zheng Zi (1) 0960057360, 10/17/2007.

Note 9: Approved No. Jin Guan Zheng Zi (1) 0970032788, 07/01/2008.

Note 10: Approved No. Jin Guan Zheng Zi (1) 0970032789, 07/08/2008.

Note 11: Approved No. Jin Guan Zheng Zi (3) 0980003332, 01/23/2009.

Note 12: Approved No. Jin Guan Zheng Fa Zi 0980034440, 07/10/2009.

Note 13: Approved No. Tai Zheng Shang Zi 09800300531, 11/25/2009.

Note 14: Approved No. Jin Guan Zheng Fa Zi 0980063108, 12/02/2009.

Note 15: Approved No. Tai Zheng Shang Zi 09900090711, 04/09/2010.

Note 16: Approved No. Jin Guan Zheng Fa Zi 0990022159, 05/18/2010.

Note 17: Approved No. Tai Zheng Shang Zi 09900359141, 11/26/2010.

Note 18: Approved No. Tai Zheng Shang Zi (1) 10000118511, 04/20/2011.

Note 19: Approved No. Jin Guan Zheng Fa Zi 1000022470, 06/07/2011.

Note 20: Approved No. Tai Zheng Shang Zi (1) 10000366751, 11/18/2011.

Note 21: Approved No. Tai Zheng Shang Zi (1) 10100061041, 03/23/2012.

Note 22: Approved No. Tai Zheng Shang Zi (1) 10100113671, 05/24/2012.

Note 23: Approved No. Tai Zheng Shang Zi (1) 10100217031, 09/25/2012.

Note 24: Approved No. Tai Zheng Shang Zi (1) 10100264601, 11/22/2012.

Note 25: Approved No. Jing Shou Shang Zi 10601080420, 06/20/2017.

Note 26: Approved No. Jing Shou Shang Zi 10901031460, 03/20/2020.

4.1.1.2 Type of Stock

As of 04/07/2020
Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stocks	165,357,520	234,642,480	400,000,000	Listed on TWSE.

4.1.1.3. Information for Shelf Registration: None.

4.1.2 Status of Shareholders

As of 04/07/2020
Unit: Shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	13	151	9,708	159	10,031
Shareholding	0	16,752,275	57,863,041	43,578,162	47,164,042	165,357,520
Percentage (%)	0%	10.13%	35.00%	26.35%	28.52%	100.00%

4.1.3 Distribution of Shares

4.1.3.1. Common Shares

As of 04/07/2020
Unit: Shares

Class of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 ~ 999	1,000	156,959	0.09
1,000 ~ 5,000	7,738	13,809,071	8.35
5,001 ~ 10,000	621	4,930,197	2.98
10,001 ~ 15,000	157	2,032,937	1.23
15,001 ~ 20,000	124	2,281,497	1.38
20,001 ~ 30,000	92	2,428,683	1.47
30,001 ~ 50,000	78	3,064,996	1.85
50,001 ~ 100,000	77	5,359,766	3.24
100,001 ~ 200,000	51	7,439,673	4.50
200,001 ~ 400,000	33	9,349,020	5.65
400,001 ~ 600,000	21	10,642,743	6.44
600,001 ~ 800,000	9	6,518,500	3.94
800,001~ 1,000,000	5	4,444,642	2.69
1,000,001 or over	25	92,898,836	56.19
Total	10,031	165,357,520	100.00

4.1.3.2. Preferred Share: None.

4.1.4 Major Shareholders

As of 04/07/2020

Shareholder’s Name	Total Shares Owned	Ownership (%)
Kaimei Electronic Corp.	12,509,882	7.57%
Tie-Min Chen	10,813,982	6.54%
Cathay Life Insurance Co., Ltd	9,917,275	6.00%
Fidelity	7,967,000	4.82%
New Labor Pension Fund	7,058,885	4.27%
Mu Yeh Wen Investment Corp.	5,000,000	3.02%
Public Service Pension Fund Management Board	4,851,000	2.93%
Labor Retirement Reserve Fund（The Old Fund）	4,424,884	2.68%
Fubon Life Insurance Co., Ltd.	3,215,000	1.94%
JPMorgan Chase Bank N.A.	2,588,610	1.57%

4.1.5 Market Price, Net Worth, Earnings and Dividends Per Share

Unit: NTD thousands; Shares

Item			2018	2019	As of 03/31/2020 (Note 4)
Market Price Per Share	Highest Market Price		140.50	166.00	166.50
	Lowest Market Price		77.00	96.20	89.10
	Average Market Price		105.82	117.32	140.08
Net Worth Per Share	Before Distribution		63.19	61.54	63.24
	After Distribution (Note 1)		57.19	-	-
Earnings Per Share (Note 3)	Weighted Average Shares		165,357,520 shares	165,357,520 shares	165,357,520 shares
	Diluted Earnings Per Share		6.13	4.49	1.65
Dividends Per Share (Note 2)	Cash Dividends		6.00(Note 5)	6.00 (Note 6)	-
	Stock Dividends	from Retained Earnings	-	-	
		from Capital Surplus	-	-	
	Accumulated Undistributed Dividends		-	-	-
Returns on Investment (Note 3)	Price/Earnings Ratio		17.26	26.13	-
	Price/Dividend Ratio		17.64	48.17(Note 6)	-
	Cash Dividends Yield		5.67	2.08(Note 6)	-

Note 1: The appropriation of earnings shall be determined by the next Annual General Shareholders’ Meeting.

Note 2: Distributed earnings of 2018 have not yet been approved by the shareholders’ meeting as at printing date. The related information will be available on the Market Observation Post System after the meeting.

Note 3: It shall be determined by the Annual General Shareholders’ Meeting.

Note 4: Net worth per share and earnings per share are calculated based on the financial information reviewed by independent auditors in the most recent quarter of the printing date.

Note 5: NT$5.59715707 per share by retained earnings and NT$0.40284293 by capital surplus as cash dividends.

Note 6: The Board approved distribution earnings of 2019 on March 18, 2020. Distributed earnings of 2019 have not yet been approved by the shareholders’ meeting as at printing date. The cash dividend ratio shall count sum of the common stocks included the newly published 72,271,565 shares from Kingpak Technology Inc..

4.1.6 Dividends policy and Implementation Status:

4.1.6.1. Dividends Policy in the Company's Articles of Incorporation

Any after-tax net income shall first be used to offset the accumulated losses, if there's any, and then to appropriate 10% of the earnings as legal reserve until its amount reaches the actual paid-in capital. The remaining earnings, together with accumulated retained earnings, can be distributed as shareholders' dividends according to the Board of Directors' proposal and after the approval from the shareholders' meeting.

We intend to distribute dividends no less than 60% of the distributable earnings in current year and composed of no less than 30% of cash dividends, after considering various factors including future development plans, capital market status, funding needs, earning prospects, industry competition and shareholders' benefits. The actual distribution will be proposed by the Board for the shareholders' meeting approval.

Our dividends paid in the past five years have all been in cash with a distribution of no less than 60%. Please refer to the investor section in our website for details.

4.1.6.2. Proposed Distribution of Dividends

Shareholder distribution from the 2019 earnings was in the form of cash and totaled NT$578,751,320, or NT$2.43552391 per share. Distributed earnings of 2019 have not yet been approved by the shareholders' meeting as at printing date. The cash dividend shall count the total common stocks are 237,629,085 shares included the newly published 72,271,565 shares from Kingpak Technology Inc.。

4.1.6.3. Material Change in Dividend Policy Is Expected: None.

4.1.7 Impact of Stock Dividends on the Operating Results, EPS, and ROE:

Not applicable (the Company did not disclose the financial forcast for 2020).

4.1.8 Compensation of Employees, Directors and Supervisors:

4.1.8.1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

The Company shall appropriate no less than 5% and no more than 2% of the earnings, respectively, as employee compensation and directors and supervisors remunerations when the operation is profitable for the year (meaning the pre-tax net income is positive before making distribution to employees, directors and supervisors.

The distribution can be made in the form of cash or stocks for employees, but only in the form of cash for the directors and supervisors.

Proposals of distributions to employees, directors and supervisors shall be taken to the shareholders' meeting for approval after the resolution is reached by a majority of the Board with two thirds in attendance.

4.1.8.2. Accounting Treatments when Differences Occur between Estimated and Actual Distributed Amount of Employee, Director, and Supervisor Compensation.

(1) Estimation basis for employee, director and supercisor compensations for the current period: The estimation ratio will be taken from the range set forth in the Articles of Incorporation.
(2) Estimation basis for employee stock compensation: None.
(3) Discrepancy between the estimation and actual distribution will be treated as profit or loss in 2020.

4.1.8.3. Employee Compensation Distribution Proposals adopted in Board of Directors Meeting:

(1) IF the amount of employee compensation distributed in cash or stocks and compensation for directors and supervisors differs from the recognized expenses, the discrepancy, its cause and the status of treatment shall be disclosed:

2019 employee, director and supervisor compensation was approved by the Board Meeting on March 18, 2020 for a proposal of NT$66,728 thounsand for the employees and NT$18,938 thousand for the directors, which was in line with the estimates.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: N/A.

4.1.8.4. Earning Distribution of the 2018 Employee Bonus and Directors' and Supervisors' Remuneration

Actual 2018 employee and director remuneration paid included NT$88,970 thousand for the employees and NT$7,600 thousand for the directors, which was in line with the expense recognized in 2018 financial statements.

4.1.9 Buyback of Treasury Stock: None.

4.2 Corporate Bonds: None.

4.3 Preferred Shares: None.

4.4 Global Depository Receipts (GDRs): None.

4.5 Employee Stock Options: None**.**

4.6 Employee Restricted Stock: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.7.1 If, during the most recent fiscal year up to the date of publication of the annual report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall specify the following matters regarding mergers or acquisitions in progress:

4.7.1.1 The stock agent's opinion on the issue of new shares for acquisition of shares of another company in the most recent quarter: Not applicable.

4.7.1.2 The status of implementation in the most recent quarter. If the implementation has not achieved the expected target, a statement on the impact on shareholders' equity and improvement plan shall be provided: Not applicable.

4.7.2 Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the implementation status and the basic information of the merged or acquired company. In addition, the implementation of ongoing merger or acquisition of other companies through the issuance of common shares and the impact on shareholders' equity shall be disclosed:

4.7.2.1 Implementation status:

The Company implemented a share conversion for the issuance of new shares with Kingpak Technology Inc. in accordance with the Business Mergers and Acquisitions Act to achieve synergy for complementary product lines and customer groups, increase technical integration and production efficiency, provide customers with more comprehensive image sensor packaging and testing services, and pursue opportunities in the key components market. The plan was approved by both companies' board meetings on December 27, 2019 and extraordinary shareholders' meetings on February 14, 2020. Shareholders of Kingpak Technology Inc. shall exchange 1 common share for 1.244 common shares of the Company. The Company is expected to issue 72,271,565 new shares. The shareholders may combine fractional shares less than 1 share of the Company's shares to be held by one person after the exchange of shares or request the Company to pay the amount in cash (calculated to NTD) based on the issuance price with amounts below NT$1 rounded off. The Company's Chairman shall consult specific persons for subscription based on the issuance price.

The Company's share conversion for the issuance of new shares with Kingpak Technology Inc. was approved by Taiwan Stock Exchange Corporation in its Jing-Tai-Shang-1 No. 1090004987 Letter dated April 1, 2020 and registered in the Jin-Guan-Zheng-Fa No. 1090338696 Letter dated April 22, 2020. June 19, 2020 was set as the baseline date for the share conversion and the issuance of new shares. After the share conversion, the Company shall continue to be listed while Kingpak Technology Inc. shall no longer be listed on TPEx and shall become a wholly-owned subsidiary of the Company.

4.7.2.2 Basic information of the acquired or transferred company:

Unit: thousands

Company name	Kingpak Technology Inc.
Company address	10F-6 and 10F-7, No. 41, Nanjing West Road, Datong District, Taipei City
Responsible person	Fu-Chou Liu
Paid-in capital	NT$580,331,140 (As of February 14, 2020, there were 57,307,114 shares outstanding and 726,000 shares in treasury stock that have yet to be transferred to employees, totaling 58,033,114 shares outstanding; the paid-in capital of NT$580,331,140.)
Principal business activities	CMOS image sensors (CIS) packaging and testing OEM services and sales
Major products	Packaging and testing, image and memory products

2019 financial information (Note)	Total assets	2,973,027
	Total liabilities	807,529
	Total shareholder equity	2,165,498
	Operating revenue	2,318,050
	Gross profit	666,856
	Operating profit (loss)	391,401
	Profit or loss for the period	269,668
	Earnings per share	NT$5.11

Note:Financial report audited and certified by the CPAs.

4.7.2.3 Impact on shareholder equity:

(1) Net worth per share

The Company plans to issue 72,145,921 new shares in this round to acquire all shares of Kingpak Technology Inc. According to the share conversion contract, if individuals with employee stock options of Kingpak Technology Inc. wishes to exercise employee stock option rights after the share conversion baseline date, the Company shall issue 125,644 new shares (Kingpak Technology Inc. currently has 101 thousand shares of employee stock options outstanding). Therefore, the maximum number of outstanding shares in the Company's share conversion with Kingpak Technology Inc. was 72,271,565 shares, which accounted for 30.41% of the paid-in capital of NT$2,376,291 thousand. However, the net value per share based on the 2019 legal consolidated financial statements audited and certified by the CPAs was NT$89.44, which was an increase from the Company's net value per share of NT$61.54 before the acquisition in 2019. Therefore, the acquisition did not have material negative effect on the net value per share.

(2) Earnings per share

After the Company acquired Kingpak Technology Inc., the two companies shared resources on niche products and customer channels, and exchanged ideas on R&D capabilities, technologies, and experience. They also made use of the synergy created by effective distribution of logistics and management resources to strengthen overall competitiveness in the market, achieve continuous growth in the revenues of both companies, and thereby create higher values for shareholders of both companies. In conclusion, the reorganization and adequate use of the parties' resources will increase operating revenue, reduce operating costs, and strengthen profitability. Based on the legal earnings per share after tax, the consolidated earnings per share for 2019 was NT$4.26, which was an increase from the Company's earnings per share of NT$4.49 before the acquisition. Therefore, the acquisition did not have material negative effect on the earnings per share.

4.8 The Execution Status of Capital Plan: None.

5. Overview of the Business

5.1. Description of the Business

5.1.1 Major Business

5.1.1.1 Major Products and Weights

Unit: NTD thousands; %

Major Products	2019	
	Amount	%
RF Module	406,255	5.47
Hybrid Modules & Specialty Packaging	2,018,959	27.17
Ceramic Metalized Substrate	2,618,007	35.23
Image Products	2,194,731	29.54
Others	192,702	2.59
Total	7,430,654	100.00

5.1.1.2 Current Products and Services:

(1) Power Amplifier module.
(2) RF Front-End Module.
(3) System in Package (SiP).
(4) High-brightness ventilated LED substrates.
(5) High-power IC module ventilated LED substrates.
(6) Edge Emission Laser/EEL module ventilated LED substrates.
(7) Thin-film substrate and hybrid IC for car use.
(8) Hybrid IC for aerospace.
(9) Hybrid IC for healthcare.
(10) Vertical Catty Surface Emission Laser (VCSEL) packaging.
(11) Image Sensor packaging and Final Testing.
(12) Reconstruct Wafer (RW).
(13) Circuit Probing (CP).
(14) Micro Display packaging and testing.
(15) High-brightness LED module packaging and testing.
(16) Direct bonding copper substrate.
(17) Bio chip packaging and testing.

5.1.1.3 Products Develpoment:

In addition to the basic research and development of new production processes and materials, our application will concentrate on areas covering communication, high-frequency package , high-power ackage, various detectors, image sensors, automotive and bio-med field. The new products planned for future development are as followings:

(1) Power module packaging and testing.
(2) 3D sensor module packages.
(3) Opto-electric semiconductor packaging.
(4) SAW Filter packaging.
(5) Biomedical chip packaging structure and process development.
(6) High-frequency RF module packaging process development.
(7) Development of high-density ceramic substrates with multi-layered circuits.
(8) Development of anti-corrosive ceramic substrates for automotive applications.
(9) Development of SIP packages for multi-layered chips covering both image

sensors and image processing chips for automotive applications.

(10) High-precision vehicle-mounted image sensing module packaging

(11) Development of packaging for embedded driver chips for 3D ceramic sensor modules

5.1.2 Industry overview:

5.1.2.1 Current Industry Products and Development:

Our business scope consists of the service for RF module packaging and hybrid IC module, and the backend process for image sensors, and ceramic substrate. Ceramic substrate is also a key material for our packaging services.

(1) RF Module

The RF modules are mostly used in front-end modules consisting of power amplifiers (PA), antenna switches, and other wave filter circuits in RF applications for mobile phones, wireless local area network (WLAN), etc. They also include System in Package (SiP) with transceivers and baseband.

The increase in the use of smart phones and tablet computers has slowed the growth of 4G mobile phones across the globe. The growth rate of smart phones has slowed from 20% in 2014 to almost zero growth in 2018 as the growth in global 4G network service revenue slowed. However, the establishment of new 5G communication technology standards has given rise to new forms of network communication applications and business models, which have also accelerated new developments in the wireless communication industry, including the opening up of high-frequency 5G bandwidths and the focus on 3GPP LTE-Vehicle communication service (LTE V2x) standards.

In terms of IoT technologies, the establishment and introduction of LPWAN, Wi-Fi Halow, NB-IOT, and LTE-M1 standards, which specify different transmission speeds and low-power technologies, have stimulated the growth of the Cellular IoT. It is expected to add positioning, mobility, multicast services, and advanced power-saving functions which will create more corporate and personal application demands. They can create immense business opportunities for services in logistics, transportation, industrial manufacturing, agriculture, healthcare, and tracking services for children and pets.

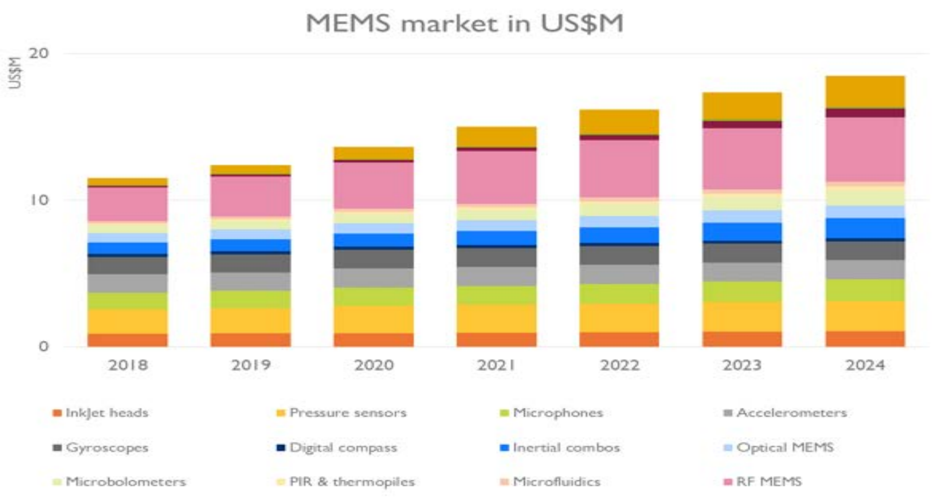
With the development of smart transportation and smart cars, wireless communication technologies will begin to provide Vehicle to Vehicle (V2V), Vehicle to Roadside/Vehicle to Infrastructure (V2R/V2I), Vehicle to Home (V2H), and Vehicle to People (V2P) communication.

In addition, the development of new wireless communication technologies and applications will also lead to an equal amount of investments in infrastructure, including massive amounts of data centers and fixed network facilities

(2) Hybrid modules & specialty packaging

Products with hybrids modules & specialty packaging are mostly assembled in processes with ceramic metalized substrates and they mainly use either thick film or thin film technologies. Compared to regular PCBs which require high power and high frequency, hybrids offer greater product stability and are widely adopted in automotive, communication, consumption, industrial control, instruments, aerospace, and computer equipment markets. Thick film hybrids are mainly produced by companies in North America, Europe, and Japan to meet the demand in the two major application markets — automotive and aerospace.

A micro-electromechanical system (MEMS) is a chip that integrates miniaturized optical, mechanical, and electronic components on the same chip through sophisticated semiconductor processes to create a smaller footprint. MEMS technologies are widely adopted in markets including applications in mechanics, optics, biology, and electronics. In terms of automotive applications, the accelerometers, pressure meters, gyrometer sensors, and mass flow meters are gradually gaining prominence. As for consumer electronics, RF MEMS, microphones (MIC), G sensors, and gyrometer sensors are taking over the market with the rapid growth of high-end smart phones, tablet computers, and hand-held devices. According to market research conducted by the French research institute Yole Development, the global MEMS market is expected to grow from US$11.6 billion in 2018 to US$18 billion in 2024.



In terms of biomedicine, the development of arrayed MEMS and sensor devices has helped biomedical testing technologies become more arrayed, chip-based, and high-speed, which greatly increase test speeds and lower costs. Network connections and artificial intelligence will also greatly expand the applications of the technology.

In addition, the development of smart vehicles has made Advanced Driver Assistance Systems (ADAS) technologies key in the development of the automobile industry. Light detection and ranging (LiDAR) technologies uses beams of lasers to detect range and construct real-time maps of the 3D environment to maintain distance and evade obstacles. The high-power semiconductor lasers are also important for the development of such applications

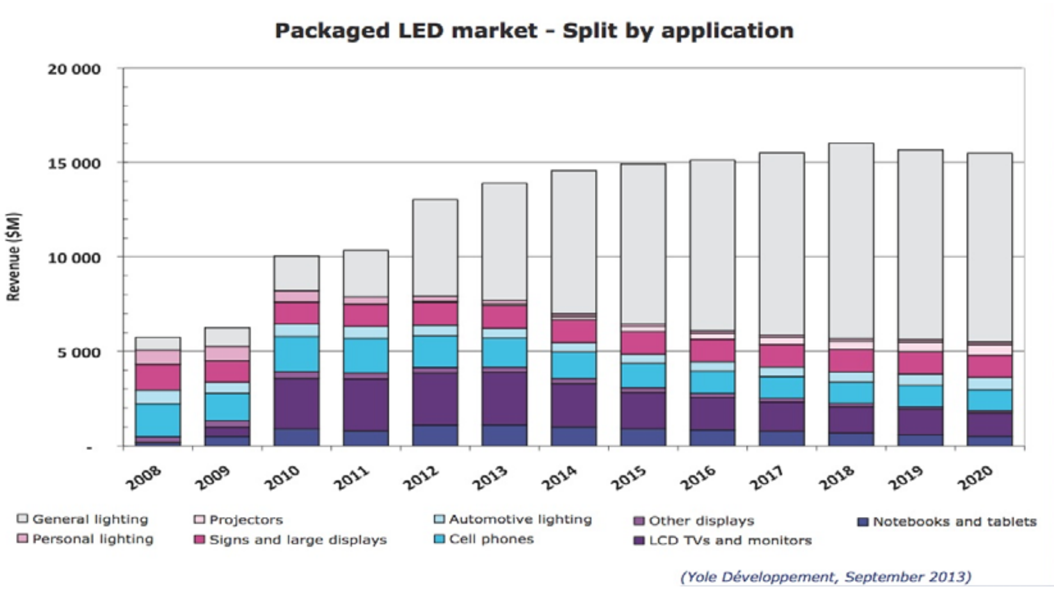
(3) Ceramic metalized substrates

(a) DPC ceramic metalized substrates

Ceramic metalized substrates are mostly used in environments with harsh requirements such as aerospace, automobile, and medicine and most applications focus on niche markets. Therefore, there are few ceramic metalized substrate producers in Taiwan. The Company is one of the few large-scale professional ceramic metalized substrate producers in Taiwan.

The Company has continuously pursued development in thick film printing process technologies and developed the direct plated copper (DPC) process which offers precision circuits that cannot be provided by traditional thick film and co-fired ceramics. Its main current application is for high-brightness LED heat dissipation substrates.

According to the market research report of the research institute Yole Development, as global LED applications mature, the growth has accelerated from 2008 to 2020. The main momentum for growth was the high-brightness LED needed for lighting sources. The overall growth trends are as follows:



(b) Direct Bonded Copper Ceramic Substrates

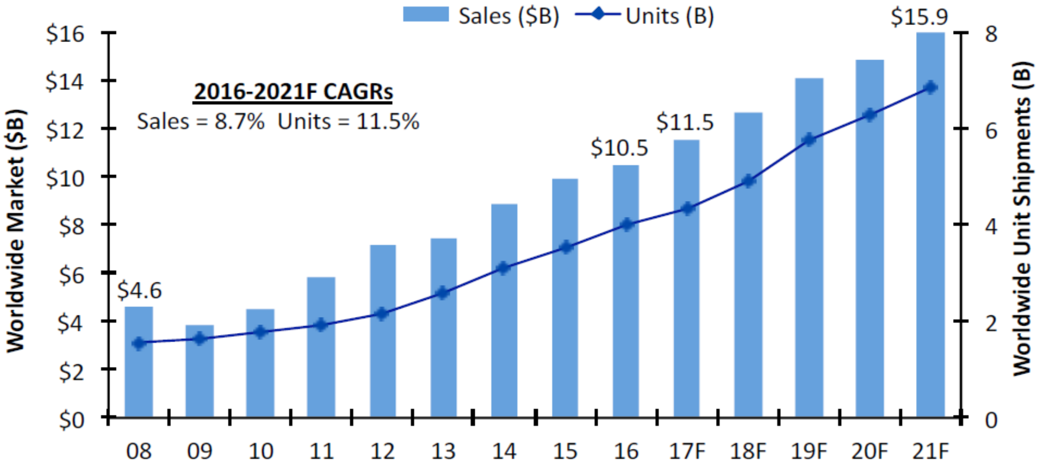
DBC is a technology that directly bonds copper to ceramic materials under high temperature. It uses the exposure, development, and etching process to create circuit patterns. DBC substrates are currently widely adopted in the following applications:

1. Insulated-gate bipolar transistor (IGBT)
2. Thermoelectric cooler (TEC)
3. Automotive electronics and aerospace electronic components.

(4) Image product

Image sensors are mainly used in digital cameras, digital video cameras, mobile phones, tablet computers, AR/VR applications, laptop computers, security surveillance cameras, automobile video applications, medical imaging, toys, and industrial control. According to the IC Insights market research report, as global CMOS image sensor applications mature, applications will grow each year till 2021 based on the following trends:

CMOS Image Sensor Growth Continues into Next Decade



Source: IC Insights

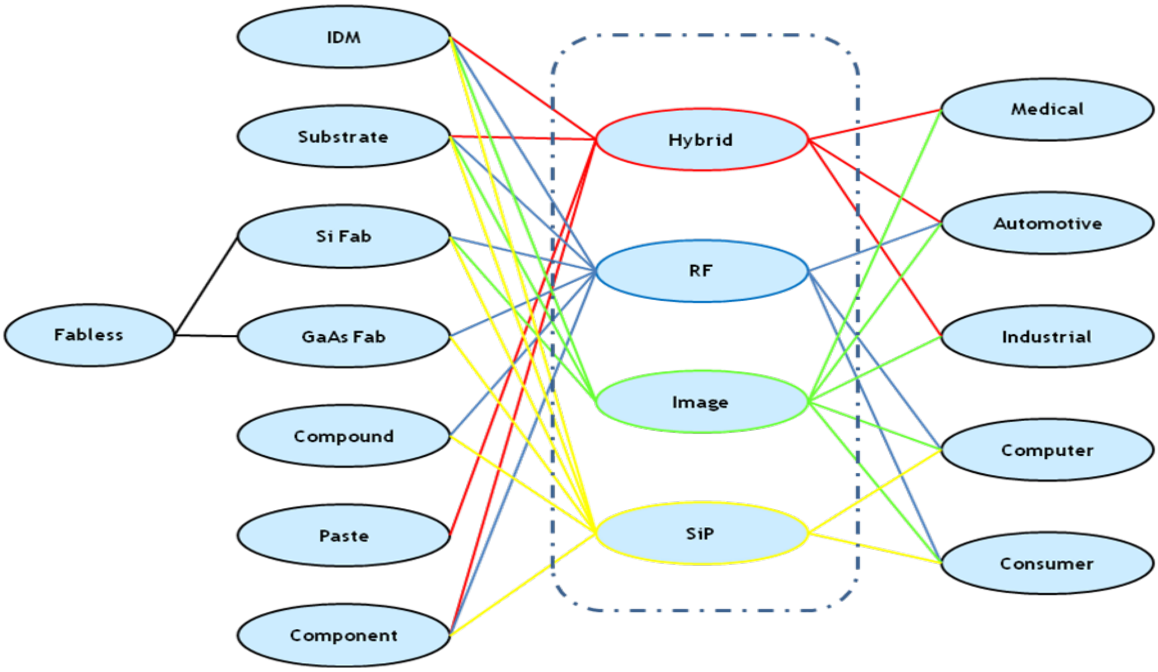
Mobile phones are the most important applications. The rapid development of smart phones and tablet computers in recent years has increased the resolution and image quality of image sensors, and led to the development of new technologies such as backside illumination (BSI) and stack sensors. In addition, high-end devices already employ 3D sensing technologies to capture 3D structures of human faces for biometrics applications and additional image sensors are required for structured light, time of flight, and active stereo vision technologies. 3D sensing technology can be used for mobile phones and tablet computers and has the potential to become one of the main equipment used for new AR/VR products. A mobile phone already uses 3 to 5 image sensors.

In terms of the automotive applications, in addition to passive reverse imaging assistance, imaging technologies used for active safety distance measurement, lane deviation warning, and active parking have become standard equipment for high-end vehicles. The real-time maps necessary for future self-driving technologies and LiDAR, a technology necessary for 3D sensing, have also advanced rapidly. The Company provides CMOS image sensor solutions to customers with services including wafer testing, wafer reconstruction, different types of packaging, testing of finished products, and module manufacturing. We provide process services for the leading CMOS image sensor suppliers for mobile phones, tablet computers, laptop computers, digital cameras, digital video cameras, security surveillance cameras, medical imaging, and automobile video applications.

In addition to providing traditional 2D image sensors, our 3D distance measurement and 3D image capture image sensor technologies have also advanced rapidly in recent years. They are currently used for rapid automatic focus, facial recognition assistance, and gesture control in cameras on mobile phones. We have used 3D modeling extensively to provide manufacturing services for customized products and sales service assistance. Automotive, robotic, and drone technologies have made use 3D imaging to create real-time 3D structures of the external environment for the rapid advancement of automatic navigation and obstacle avoidance.

5.1.2.2 The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services

The relationship between the Company’s products and the overall industry can be summarized as follows:



5.1.2.3 Development trends of products

Electronic products are getting smaller and more versatile. They have become more integrated and are used much more frequently. Higher bandwidth and more diverse channel options that provide seamless mobile communication have become key to future development.

In terms of energy industries, efficient and low-pollution high-brightness LED sources, wind power, and solar energy will gradually become commonplace in our daily lives. The Company's modules are mainly applied to the following new processes of various products:

(1) Copper plating, gold plating, and silver plating technologies are used for AlN and Al2O3 substrates. They are used in combination with exposure and etching technologies to produce high-density circuits and ceramic substrates with high thermal conductivity to increase their high-frequency performance

(2) Applying flip chip packaging to minimize the size to enhance the high-frequency feature

(3) Combining CSP and BGA technologies to seal the components in air cavity to improve the reliability and high-frequency feature.

(4) The wafer reconstruction process provides camera module producers with thin camera modules with more than one million or 100 million pixels necessary for the fast-growing smart phones and tablet computers.

(5) High reliability image sensor packaging technologies provide customers with reliable image sensor packaging for security surveillance cameras and applications in the automotive industry.

(6) 12-inch BSI and stack sensor technology for CMOS image sensor wafer back-end processing technology.

(7) Micro display module assembly and testing technology.
(8) VCSEL modules packaging.

5.1.2.4 Status of Competition

The Company is a professional and niche manufacturer of integrated circuits and ceramic metalized substrates assemblies. For years, the Company has upheld customer-centric values and actively and efficiently invested in R&D in processes and technologies to continue to enhance the Company's competition. The Company has focused on integrated circuit assemblies and the production of ceramic metalized substrates for many years and has become a main international supplier in the DPC substrate and image sensor market for LED applications.

By continuing to invest and refine resources, the Company has become a leading manufacturer of thick film ceramic metalized substrates in Taiwan. We also independently developed processes for thin film ceramic substrates and combined the unique characteristics of ceramics including corrosion resistance, high temperature resistance, and high stability with sophisticated assembly technologies accumulated in the aerospace industry to meet the stability and precision requirements of the automotive electronics industry. We therefore take the lead in business opportunities in the procurement of major automotive electronics manufacturers in Asia. The Company also actively invests in MEMS assembly research and development and developed the next-generation MEMS module packaging and process technologies for biomedical applications.

In terms of image sensors, the Company led the industry in developing the wafer reconstruction technologies suitable for stack sensors. We also cooperated with customers for the supply of large quantities of 32Mp and 48Mp image sensors for several well-known smart phones and tablet computers

5.1.3 Research and Development Achievements and Plans

5.1.3.1 Research and Development Expenditures:

Unit: NTD thousands; %

Year	2019	2020(As of March 31)
R&D Expense	113,872	30,076
As % of net revenue	1.53%	1.54%

5.1.3.2 Successful Development in Technologies and Products:

Year	Process Technologies	Product Applications
2019	Cavity substrates	3D Sensing
	Development of embedded ceramic packaging structure for driver chips	3D Sensing
	High-precision image sensing module packaging technology for vehicle-mounted assistance systems	Image sensing module applications
	(WLCSP) SAW Filter micro bumping structures	High-frequency RF modules
	Development of multi-layered ceramic substrates for ultrasound sensing	Biomedical applications
	Technical research and development of thick copper-bonded silicon nitride for active metal vacuum brazing (AMB)	High-power component applications

5.1.4 Long-term and Short-term Business Development Plan:

1. Short-term Business Plan
   (1) Develop next-generation module technologies by following market trends and production roadmap from the customer to strengthen and expand relationships with current business.
   (2) Enhance market share by applying strategies that covers pricing and technology.
   (3) Acquire new business relationships by leveraging the current sales network.
   (4) Further implement the product management mechanism to set the clear directions for each product line and utilize in-house resources with better efficiency.
2. Long -term Business Plan
   (1) Look for strategic partners, especially from components, materials and intellectual property aspects to ensure a leading position in the production technology.
   (2) Expand investment in next-generation products and necessary technologies.
   (3) Optimize teamwork between production sites in Taiwan and Philippine to maximize scale of economy.
   (4) Promote turnkey solutions (including chip probing, wafer reconstruction, packaging, final testing and module making) to create further price advantage.

5.2 Market and Sales Conditions

5.2.1 Market Analysis:

5.2.1.1 Sales and service regions of main products and services:

2019 Sales Regions and Weights

Unit: NTD thousands

Regions	Net Revenue	%
Americas	3,578,012	48.15%
Europe	1,223,737	16.47%
Other Area	2,628,905	35.38%
Total	7,430,654	100.00%

5.2.1.2. Market Share:

(1) High-Brightness LED

According to global research institution LEDInside, we had a market share of more than 70% in 2019 based on >3W high-brightness LED ceramic substrates.

(2) Image Sensors

According to IC Insight from Japan, our total shipments of CMOS image sensors accounted for 13% of the total worldwide demand, 6 billion units in 2019. The research company also forecast the shipment growth with a steady increase in the future and reach 8 billion units in 2021.

5.2.1.3 Future Market Supply, Demand, and Growth Potential

(1) RF Module

The demand from the mobile phone market has increased and the RF communication modules assembled by the Company are critical components for mobile phones. In addition to stable growth in the overall market, the mobile phone industry has advanced toward higher-end bandwidth services in terms of 5G technologies in recent years. The rapid development of semiconductor and display technologies has allowed mobile phone processors to provide the computing and display capabilities of notebook computers with very low power consumption and thereby powered the rapid development of smart phones. The low-power and high-performance computing power has created an environment for Internet access from mobile phones, which has led to a rapid increase in bandwidth demand. This in turn depletes the bandwidth provided by mobile communication networks of large base stations and triggers the development of small low-power base station architectures and technologies.

With advanced deployment of network bandwidth and the sensor technologies, IoT applications with all kinds of miniature sensors in the living environment can be achieved with wireless connection. Humans can create more efficient and smarter lifestyles by setting up sensors in the environment and wirelessly transmitting information to individuals

(2) Hybrid modules & specialty packaging

According to statistics in the market research conducted by the research institute Yole Development, the global MEMS market is expected to grow from US$11.6 billion in 2018 to US$18 billion in 2024. Except for small-scale growth in the existing automotive, IT equipment, industrial equipment, and medical equipment markets, growth is mainly powered by new applications in hand-held communication devices and consumer electronics. As MEMS technology offers miniaturization, high integration, and low costs, many application markets have adopted MEMS component technologies and thereby brightened the prospects of the MEMS industry.

In terms of the biomedical market, the advancement of semiconductor technologies and microelectromechanical technologies has facilitated the gradual entry of biomedical inspection technologies with single chip from the laboratory to the markets.

Semiconductor lasers were mainly used in optical storage applications. In the past 10 years, its advantages in the optical storage market have gradually faded with the rise of flash memory in terms of capacity and access speed. However, the development of various 3D sensing technologies has led to the rapid development of efficient and high-power semiconductor laser technologies which have been used in smart phones, tablets, and other hand-held devices. They may also be used in wearable devices for AR/VR applications. In addition, 3D sensing technologies such as LiDAR are also necessary for future autonomous driving..

(3) Ceramic metalized substrates

(a) DPC ceramic metalized substrates

Ceramic metalized substrates offer corrosion resistance, high temperature resistance, and high stability. They are thus suitable for the harsh environments of automotive electronic components. In addition, the automobile industry has shifted toward more environmentally friendly hybrid vehicles (HEV) and electric vehicles (EV) in recent years. Based on such development trends, the demand for power modules in the automobile industry will grow rapidly as more vehicles become electric. We expect the demand for ceramic metalized substrates used for automobile power modules to increase with the rapid expansion of business opportunities in the automotive electronics industry he other proponent for the growth of ceramic metalized substrates is high-brightness LED. As high-brightness LED technologies gradually mature, DPC ceramic metalized substrates have become suitable for large-scale production which help customers effectively reduce production costs. They will continue to be the main substrate of choice in the high-brightness LED market. According to the market research institute MAXIMIZE Market Research, the market scale of high-brightness LED was US$17 billion in 2017 and it is expected to grow to US$31 billion by 2026 with an annual compound growth rate of 7.8%. High-brightness LED offers longer useful life and lower LED material costs. With growth in the demand of monitors and larger screens, it has become more important for mobile electronic devices which have become the main momentum for growth for high-brightness LED. In addition, its high market share, diverse varieties, gradual rise in energy conservation awareness, and the ability to be installed on any circuit with ease have also contributed to the growth of the high-brightness LED industry.

(b) DBC ceramic metalized substrates

The demand for power modules necessary for AC/DC conversion, power factor correction, and output power management has grown rapidly with the gradual expansion of the clean energy market and the electricity storage market created by the inherent instability of clean energy. They are used extensively in power and electronic applications such as :

1. Power semiconductor device, such as IGBT.
2. Frequency converter, electronic speed control and AC contactless switch.
3. Hybrid power line and new power structure unit.
4. Solid state relay (SCR) and High-frequency switch module power supply.
5. Temperature control unit for electronic heating devices.
6. Structural unit for automotive electronics and aerospace technologies.

With technological advancement, we have gradually developed modules with higher power, higher efficiency, higher reflow temperature, smaller dimensions, and higher integration. In addition to the traditional Al2O3 DBC, the market is also trending toward AlN, SiN, and other substrates with higher heat conductivity and mechanical strength, as well as the development of hybrids technologies that offer both high voltage/current and high-density circuits

(4) Image products

In terms of image sensors, the mobile phone market is the greatest segment in the market. Smart phones have become the mainstay of this market segment and growth has apparently slowed.

Due to market preferences for the thickness of mobile phones and the impact of reduced pixels of image sensors on image quality, the increase in the pixels of image sensors will gradually come to a halt.

The market pursues better photography quality and more additional functions and dual lens camera modules that provide superior image quality, camera focusing functions, depth adjustment, and 3D images have become important.

The image sensors market in this market segment has grown with the increase in the number of image sensors installed on a single mobile phone. The growth of the overall market will outpace that of the mobile phone market.

In addition, 3D sensing and iris recognition technologies for facial recognition that use time of flight and structured light offer alternatives for biometrics beyond fingerprint recognition. Biometrics have gradually become important for mobile phones as more transactions and financial payments are performed on mobile phones.

As cars become smarter and more autonomous, the number of image sensors installed on cars has also increased. The image sensors used by a single vehicle has gradually increased from the reverse camera to a variety of image sensor applications such as surround-view, lane keeping assist system, blind spots on the sides and rear, nighttime distant vision, and driver monitoring. In addition, the use of 3D sensing technologies such as time of flight and structured light for gesture control, and the use of LiDAR technology for real-time road and obstacle model construction have also become key for future development.

The increase in bandwidth and wireless broadband development have gradually expanded security and surveillance from the public realm and corporate applications to IP-based home and personal remote monitoring and control applications.

In terms of image displays, the rise of wearable devices, particularly wearable devices in the form of glasses, has made micro display chips key to development. The development of automotive electronics in regard to information display has also shifted to safer head-up display technologies built with micro display chips.

5.2.1.4. Competitive Advantages

The Company's business consists of the assembly of ceramic metalized substrates, RF modules, hybrid modules & specialty packaging, System in Package (SiP), and image sensors.

In terms of hybrid circuits, the main applications include medical services, aerospace, industries, and automobiles. The Company is required to continuously work with customers in the development of new process technologies to meet the requirements for functions and features of the products. This cooperation and development model is the cradle for the Company's new process technologies and has helped the Company continuously refine and maintain its lead over competitors.

The assembly of ceramic metalized substrates, RF modules, hybrid modules & specialty packaging, System in Package (SiP), and image sensors requires large-scale customization for the products. As the life cycle of mobile phone products continue to shorten, flexible process response that can help customers launch new products quickly and gain opportunities on the market has become the key to winning purchase orders in the industry.

The Company has provided module assembly services for more than 20 years and has a profound knowledge of the industry. We adjust production capacity flexibly to fully meet all customer requirements. In terms of the wireless communication industry, the continuous growth in the output of the mobile phone market and the development of wireless technologies and new applications have also gradually changed people's lifestyles with new technologies and functions. As the Company closely monitors changes in the market and retains the R&D capacity for keeping up with the latest technological requirements, we maintain full control over competitive advantages and satisfy all customer demands in both quality and quantity to provide the best and most stable services.

We continue to develop high-end processes for module assembly technologies from existing surface-mount technology (SMT), chip on board (COB), and various packaging technologies including ball grid array (BGA), land grid array (LGA), and chip-scale package (CSP) toward high-end packaging processes such as flip chip, 3D Package), micro-electromechanical system (MEMS), System in package (SiP). We will reduce the size of the modules while increasing and integrating the functions of circuits and modules to meet customer requirements, help customers take the lead in the market, and achieve desired effects.

With regard to special image sensors with high cleanliness requirements, the Company has focused on the continuous development of process technologies of image sensors for many years. We have developed a variety of process technologies necessary for the mobile phone, digital camera, healthcare, security monitoring, and automobiles. We provide customers with high-yield assembly and wafer reconstruction process services from VGA to 20Mp or up to 48Mp image sensors. In addition, the Company also developed testing technologies for wafer and finished products to provide customers with more comprehensive services. We provide one-stop services from wafer to the shipment of finished products to help customers reduce production time, reduce outsourcing management and logistics costs and time, and increase competitiveness

5.2.1.5 Positive and Negative Factors Relating to Future Development

5.2.1.5.1. Favorable Factors

(1) Production:

The gradual completion of the automation of the DPC electroplating lines and the production profile systems means savings in manpower and a significant increase in the prevention of broken parts, yield, and quality. It also provides us with increased precision in identifying issues and reduces costs to create stable competitive advantages and entry barriers. We gradually introduced SMT, COB, and back-end AOI into the assembly processes to significantly reduce manpower requirements and increase quality. With the purchase of new equipment such as ball mounters and gas-sealed enclosure machines, we have increased the competitiveness of multiple niche products

(2) Research and development:

(a) The successful development of copper conductivity processes for ceramic metalized substrates and nickel, gold, and silver process technologies help create special functions in the assembly of high-brightness LED, high-frequency RF modules, high-power modules, and micro-assembly IC which increase business opportunities. We completed the development of the copper free DPC process and will gradually introduce it to mass production which will enhance automotive electronics applications (b)The increase in the education level of new engineers and the assistance provided by foreign consultants help us increase our lead in new product R&D and technologies

5.2.1.5.2 Negative Factors

(1) Maturing industry with shifting markets

As LED technologies gradually mature, Asian countries have committed investments to support related industries and the market shifted to the Asian countries. Market competition gradually shifted to price competition and rapid changes and international companies also began to outsource LED production to Chinese OEM manufacturers.

In terms of image sensors, Sony and Samsung have actively invested in this market which crowded out the existing main high-end suppliers of the market. The impact has caused shifts in the existing markets. As a result of the trade war between the United States and China, Chinese mobile phone manufacturers must seek local suppliers to maintain access to important components in the trade war

(2) Labor shortage and resign wages

Rapid changes in social values in recent years have led to labor shortages for industries in Taiwan to meet production demands. The hiring of foreign laborers is constrained by labor regulations which forces industries to set up operations in foreign countries in order to survive or expand.

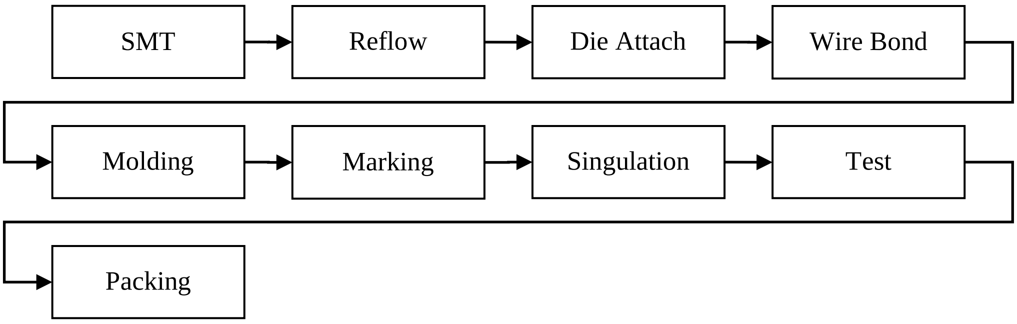
(3) The products developed and produced by the Company are mobile phone components which are part of an emerging industry with rapid growth. The industry has high demand for funding and equipment and the market changes rapidly. If the Company fails to keep up with market and technical changes, a crisis would quickly ensue

5.2.1.5.3 Action Plans

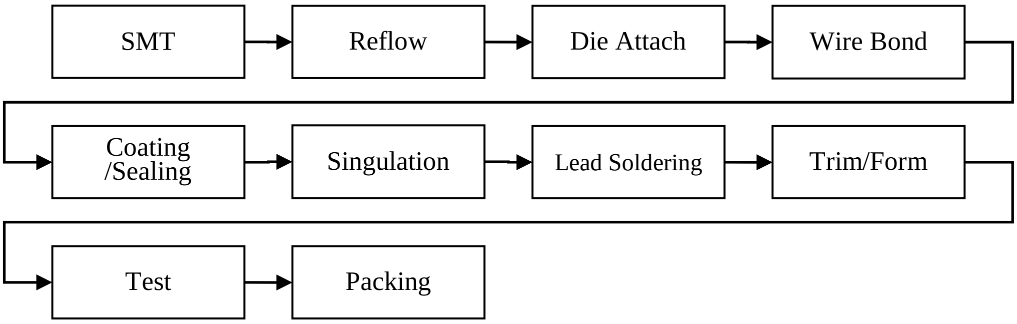
(1) Diversify customer base to avoid over-concentration risk.
(2) Implement automation production and actively look for purchase orders to achieve economies of scale operations, save on manpower, reduces production costs.
(3) Improve bargaining power to lower down material costs by leveraging with a bigger production capacity.
(4) Continuously R&D in new products and technologies to strengthen the entry barriers and leading ahead the competitors.
(5) Invest in machinery and equipment to crease automation production, and move labor-intensive production overseas to save costs.
(6) Employ dispatched workers and outsource when necessary to manage production flexibility.

5.2.2 Usage and Manufacture Processing of Main Products

1. RF Module: Used in RF Power Amplifier for mobile phones, front-end module and broadband digital communication module.

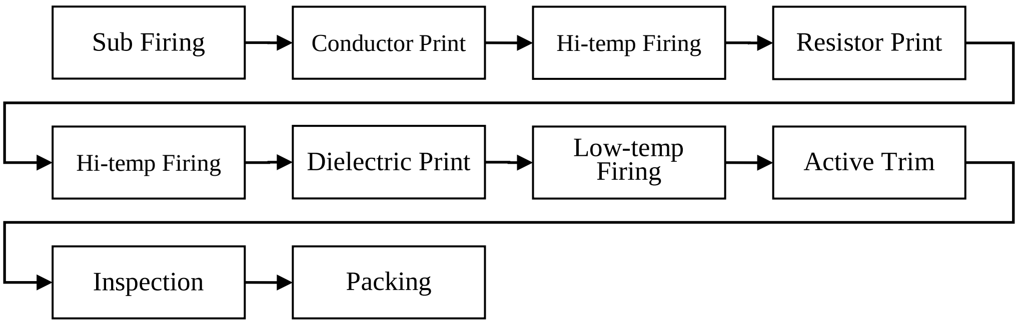


2. Thick film Hybrid integrated Circuits: Used in high-reliable electronic products, such as automotive, aerospace equipment, communication equipment, medical sensors, etc.

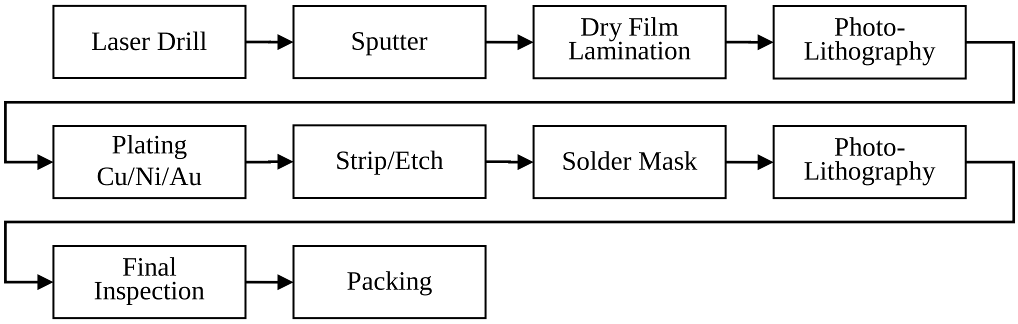


3. Ceramic metalized substrates: Used in high-reliable electronic products, such as high-brightness LED, general lighting, high speed memory, industrial automation, RF switches, semiconductor devices, etc.

A. Thin-film printing substrate

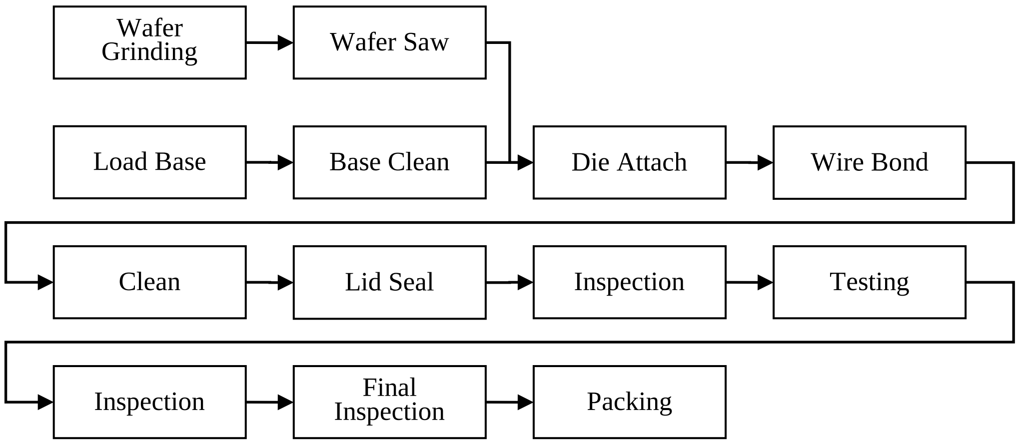


B. Plated substrate

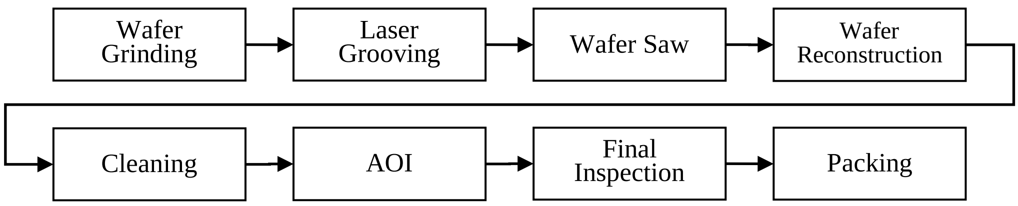


4. Image sensor: Major uses include consumer electronics – digital cameras/video recorders and mobile phones, information electronics – notebook computers, surveillance, automotive electronics – backup camera, lane tracing, multi-angle vision, front and rear wheel monitoring, remote obstacle monitoring and dashboard camera, and industry control applications.

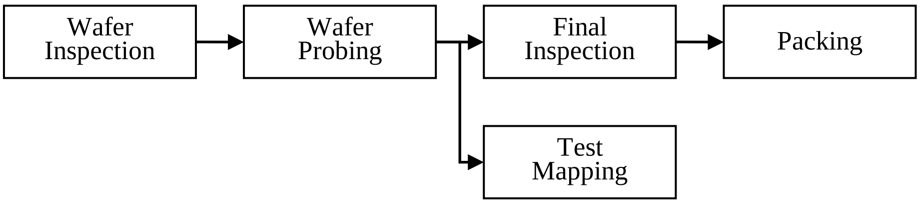
A. Image sensor packaging



B. Image sensor reconstructed wafer



C. Image sensor chip probing



5.2.3 Supply situation for the major raw materials

Major Raw Materials	Source of Supply	Supply Situation
Substrate	United States, Japan, Taiwan, Malaysia	Abundant
Paste	United States, Japan, Taiwan, United Kingdom	Abundant
Capacitor	Japan, Taiwan, United States, China	Abundant
Inductor	Japan, Taiwan, United States, China	Abundant
Integrated circuits (IC)	Belgium, Bulgaria, Germany, United States	Abundant
Epoxy	United States, Japan, Taiwan, China	Abundant
PKPGC	Taiwan	Abundant

5.2.4 Major Vendors and Customers that Accounted for at Least 10% of the Annual Consolidated Net Revenue

5.2.4.1 Major Vendors

Unit: NT$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company G	701,818	23.49	None	Company G	511,008	18.70	None	Company I	142,083	21.64	None
2	Company I	384,032	12.85	None	Company I	491,786	17.99	None	Company G	100,778	15.35	None
3	Company H	316,575	10.59	None	-	-	-	-	-	-	-	-
	Others	1,585,663	53.07	—	Other	1,730,494	63.31	-	Other	413,799	63.01	-
	Net Total Purchases	2,988,088	100.00	—	Net Total Purchases	2,733,288	100.00	-	Net Total Purchases	656,660	100.00	-

Note: The amount of purchase from the supplier did not reach 10% of the net purchase amount of the period.

Reason for the change:

Due to changes in sales volume and product mix, the total purchase amount decreasd by 8.5% in 2019, compared with that in the last year.

5.2.4.2 Major Customers

Unit: NT$ thousands

Item	2018				2019				2020 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company F	1,428,784	19.27	None	Company F	1,439,177	19.37	None	Company F	503,104	25.76	None
2	Company E	876,673	11.83	None	Company H	1,176,592	15.83	None	Company H	276,719	14.17	None
	Others	5,108,055	68.90	—	Other	4,814,885	64.80	-	Other	1,173,382	60.07	-
	Net Total Sales	7,413,512	100.00	—	Net Total Sales	7,430,654	100.00	-	Net Total Sales	1,953,205	100.00	-

Reason for the change:
Due to changes in market demands, sales amount increased by 0.2% in 2019, compared with that in the last year.

5.2.5 Production Figures

Unit: NT$ thousands

Year / Output / Major Products	2018			2019		
	Capacity (Note 1)	Quantity	Amount	Capacity (Note 1)	Quantity	Amount
RF Module Hybrid Modules & Specialty Packaging Ceramic Metalized Substrates Image Products	6,470,465	4,020,880	5,656,610	6,572,262	3,783,293	5,923,667

Note 1: Production capacity for substitute products among product lines should be combined.

5.2.6 Sales Figures

Unit: NT$ thousands

Year / Shipments & Sales / Major Products	2018				2019			
	Domestic		Export		Domestic		Export	
	QTY	Amounts	QTY	Amounts	QTY	Amounts	QTY	Amounts
RF Module Hybrid Modules & Specialty Packaging Ceramic Metalized Substrates Image Products	73,433	203,954	3,906,039	7,209,558	148,441	307,720	3,670,853	7,122,934

Note: Information on other products is not comparable and not provided.

5.3 Human Resources

Item / Year		2018	2019	2019 (As of March 31)
Number of Employees	Direct labor	2,132	2,182	2,162
	Indirect labor	858	694	670
	Management	112	111	118
	Total	3,102	2,987	2,950
Average Age		32.89	33.64	34.12
Average Years of Service (Years)		5.84	6.28	6.55
Education Background ratio	Ph.D.	5	5	5
	Masters	179	197	198
	Bachelor’s Degree	1,649	1,514	1,455
	Senior High School	1,195	1,199	1,229
	Below Senior High School	74	72	64

5.4 Environmental Protection Expenditure

5.4.1 The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report:

There were no penalties for violation of environmental protection laws and regulations in the most recent fiscal year up to the publication date of the Annual Report.

5.4.2 Explanation of the measures to be taken and possible disbursements to be made in the future:

(1) We’ve built the waste emission and sewage treatment equipment, which is operated under the municipal license, and have personnel dedicated to matters relating to the environmental issues. We’ve obtained ISO-14001(environment management system and certification) and ISO-45001(occupational safety and health management system and certification). We will continue to improve current potentials to ensure a safety working environment in the Company.

(2) To reduce environmental pollution, save energy and reduce carbon emission, the company will continue to make assessment on the waste water recycling plans. Investments on the necessary equipment will be made according to the assessment results to achieve power saving and echo the government's energy saving and carbon reduction policies.

(3) All our products are ROHS-compliant and the production waste is disposed of according to the business waste disposal plan and related laws and regulations.

5.5 Labor Relations

5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees’ rights and interest:

1. Employee Benefits.

(1) Employee Benefit Plan: To ensure that our employees are devoted to work when working and relieve their family from financial burdens, apart from the relevant laws and regulations, we also provide extra insurance to give extra protection in case of casualties or hospitalization. Employees also receive special subsidies for

weddings and funerals, according to the Company's regulations for the matter.

(2) Employee welfare committee regularly holds communication meetings, employee outings and recreational activities, etc., to enhance mutual communication and physical and mental relaxation of employees.

2. Retirement system and implementation status

The company's retirement system is governed by the "Labor Act" and provides preferential benefits to the retirees

3. Continuing education and training

(1) On-the-Job Learning: To implement the concept that "Employee growth drives company progress," the Company provides domestic and international courses for related training from time to time to enhance professional knowledge of our employees and cultivate talents.

(2) Education subsidies: we highly value our employees' and their children's education. We provide scholarships when qualifications are met.

(3) Company Celebration and Sports Events: To relieve the daily work pressure of employees, the Company holds various recreational events and gatherings from time to time

4. Employee Communication or Dispute:

Since our establishment, we've been committed to establishing a trustworthy, cooperative working atmosphere and environment to form a harmonious relationship with the employees and to discuss and resolve problems as they arise.

All provisions concerning employee benefits are implemented in accordance with the relevant laws and regulations. Any new or revised provisions will be finalized after a thorough discussion by both parties.

The following measures are taken to prevent future labor disputes:

(1) Implement an employee benefit program that is superior to the "Labor Act" requirements.

(2) Hold labor meetings on a regular basis

(3) Provide extra channels to facilitate communication between management and eomployee.

(4) Reinforce Labor-Management Ethics

5. Protective measures for work environment and employees' personal safety

All related systems shall be implementation based on rules stipulated under the "Enforcement Rules of the Occupational Safety and Health Act" and other relevant provisions

(1) We provide health checkups and training regarding occupational safety and health management before new-hires are on board.

(2) Carry out regular employee health checkups, provide necessary protective equipment and give specific checkups for the workers who are engaged in tasks exposed to health hazards, as well as hold safety and health education courses and regular fire drill.

5.5.2 Loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date and indicate mitigation measures being or to be taken:

Date of penalty	Penalty official letter number	Legislation and contents of violation	Contents of penalties	Current and future potential estimated amount	Response measures
2019.01.08	Zhu-Huan No. 1080000942	Subparagraph 1, Paragraph 2, Article 36 of the Labor Standards Act (failure to allocate 1 day of rest day for 7 days of consecutive work).	A penalty of NT$50,000 was imposed in accordance with Subparagraph 1, Paragraph 1, Article 79 and Paragraph 1, Article 80-1 of the same Act.	A penalty of NT$50,000.	The Company has repeatedly communicated with production line personnel and requested employees to confirm with the human resources unit before changing shifts. Similar incidents have not occurred since.

The fines for the aforementioned incidents have been paid and the amount was relatively low. Therefore, such labor-management disputes have no material impact on the Company's finance and business. The Company shall continue to maintain good labor-management relations and maintain open communication channels to ensure harmonious labor-management relations.

5.6 Major Agreements

Agreement	Counterparty	Period	Major Contents	Restrictions
Long-term loan contract	Taishin International Bank	May 2019~May 2021	Medium/long-term revolving credit	None
Long-term loan contract	Mega International Commercial Bank	May 2019~May 2020	Medium/long-term revolving credit	None
Medium-term loan contract	Yuanta Bank	Oct. 2019~Oct. 2021	Medium-term revolving credit	None
Medium-term loan contract	KGI Bank	Jan. 2020~Apr. 2023	Medium-term revolving credit	None
Medium-term loan contract	Mega International Commercial Bank	Jan. 2020~Jan. 2022	Medium-term revolving credit	None
Share conversion contract	Kingpak Technology Inc.	Signed on December 27, 2019	Agreement on share conversion matters between the parties	None

6. Overview of the Financial Status

6.1 Financial Highlights

6.1.1 Abbreviated Balance Sheets and Income Statements-IFRS

6.1.1.1 Abbreviated Consolidated Balance Sheet-IFRS

Unit: NTD thousands

Item \ Year		Financial Information For The Past 5 Years 2015	2016	2017	2018	2019	As of 2020/03/31 (Note 1)
Current Assets		9,852,265	10,156,154	8,310,650	8,052,786	6,491,899	6,913,270
Property, Plant and Equipment		5,238,538	4,894,075	4,400,965	4,197,116	5,584,092	5,525,123
Intangible Assets		68,834	55,360	56,149	65,240	68,940	67,436
Other Assets		166,486	193,622	196,423	148,199	277,860	273,015
Total Assets		15,326,123	15,299,211	12,964,187	12,463,341	12,422,791	12,778,844
Current Liabilities	Before Distribution	1,999,360	4,215,368	2,230,873	1,718,682	1,762,168	1,915,976
	After Distribution	2,976,802	5,192,810	3,223,018	2,710,827	Note 2	Note 2
Noncurrent Liabilities		3,189,979	937,002	319,376	295,974	483,897	406,418
Total Liabilities	Before Distribution	5,189,339	5,152,370	2,550,249	2,014,656	2,246,065	2,322,394
	After Distribution	6,166,781	6,129,812	3,542,394	3,006,801	Note 2	Note 2
Equity Attributable to Shareholders of the Parent		10,136,784	10,146,841	10,413,938	10,448,685	10,176,726	10,456,450
Capital Stock		1,629,071	1,629,071	1,653,575	1,653,575	1,653,575	1,653,575
Capital Surplus	Before Distribution	4,926,351	4,926,351	5,233,426	5,063,801	4,997,188	4,997,188
	After Distribution	4,926,351	4,926,351	5,063,801	4,997,188	Note 2	Note 2
Retained Earnings	Before Distribution	3,553,250	3,584,470	3,598,786	3,772,201	3,589,674	3,862,022
	After Distribution	2,575,808	2,607,028	2,776,266	2,846,669	Note 2	Note 2
Others equity		28,112	6,949	(71,849)	(40,892)	(63,711)	(56,335)
Treasury stock		-	-	-	-	-	-
Minority equity		-	-	-	-	-	-
Total Equity	Before Distribution	10,136,784	10,146,841	10,413,938	10,448,685	10,176,726	10,456,450
	After Distribution	9,159,342	9,169,399	9,421,793	9,456,540	Note 2	Note 2

Note 1: The financial information of Q1/2020 has been reviewed by independent auditors.

Note 2: The appropriation of cash distribution from Retined Earnings and Capital Surplus of year 2019 shall be determined by the 2020 annual regular shareholders' meeting.

6.1.1.2 Abbreviated Parent-Company-Only Balance Sheet-IFRS

Unit: NTD thousands

Item \ Year		Financial Information For The Past 5 Years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		9,051,461	9,303,613	7,593,398	7,201,928	5,732,095
Property, Plant and Equipment		4,052,156	3,865,506	3,608,387	3,469,211	4,990,787
Intangible Assets		68,834	55,360	56,149	65,240	68,940
Other Assets		1,750,586	1,623,238	1,484,023	1,506,265	1,529,820
Total Assets		14,923,037	14,847,717	12,741,957	12,242,644	12,321,642
Current Liabilities	Before Distribution	1,658,639	3,807,654	2,058,884	1,538,357	1,743,427
	After Distribution	2,636,081	4,785,096	3,051,029	2,530,502	Note 2
Noncurrent Liabilities		3,127,614	893,222	269,135	255,602	401,489
Total Liabilities	Before Distribution	4,786,253	4,700,876	2,328,019	2,144,916	1,793,959
	After Distribution	5,763,695	5,678,318	3,320,164	2,786,104	Note 2
Equity Attributable to Shareholders of the Parent		-	-	-	-	-
Capital Stock		1,629,071	1,653,575	1,653,575	1,653,575	1,653,575
Capital Surplus	Before Distribution	4,926,351	4,926,351	5,233,426	5,063,801	4,997,188
	After Distribution	4,926,351	4,926,351	5,063,801	4,997,188	Note 2
Retained Earnings	Before Distribution	3,553,250	3,584,470	3,598,786	3,772,201	3,589,674
	After Distribution	2,575,808	2,607,028	2,776,266	2,846,669	Note 2
Others Equity		28,112	6,949	(71,849)	(40,892)	(63,711)
Treasury Stock		-	-	-	-	-
Minority Equity		-	-	-	-	-
Total Equity	Before Distribution	10,136,784	10,146,841	10,413,938	10,448,685	10,176,726
	After Distribution	9,159,342	9,169,399	9,421,793	9,456,540	Note 2

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The appropriation of cash distribution from Retined Earnings and Capital Surplus of year 2019 shall be determined by the 2020 annual regular shareholders' meeting.

6.1.2 Income Statement

6.1.2.1. Abbreviated Consolidated Income Statement -IFRS

Unit: NTD thousands (EPS: NTD)

Item \ Year	Financial Information For The Past 5 Years					As of 2020/03/31 (Note 1)
	2015	2016	2017	2018	2019	
Net Revenue	7,771,904	8,057,845	7,745,602	7,413,512	7,430,654	1,953,205
Gross Profit	1,914,193	1,995,184	1,897,712	1,901,684	1,599,744	481,697
Net Operating Income	1,211,985	1,233,754	1,161,816	1,138,561	911,877	309,700
Non-operating Income and Expenses	71,056	(10,640)	(62,047)	106,722	30,369	34,028
Income before Income Tax	1,283,041	1,223,114	1,099,769	1,245,283	942,246	343,728
Income from Continuing Operations	1,041,411	1,025,006	973,889	1,013,603	741,956	272,348
Loss from Discontinuing Operations	-	-	-	-	-	-
Net Income	1,041,411	1,025,006	973,889	1,013,603	741,956	272,348
Other Comprehensive Income (Loss), After Tax	45,688	(37,507)	(60,929)	3,496	(21,770)	7,376
Comprehensive Income	1,087,099	987,499	912,960	1,017,099	720,186	279,724
Net Income Attributable to Shareholders of the Parent	1,041,411	1,025,006	973,889	1,013,603	741,956	272,348
Net Income, Attributable to Minority Equity	-	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	1,087,099	987,499	912,960	1,017,099	720,186	279,724
Comprehensive Income Attributable to Minority Equity	-	-	-	-	-	-
Earnings Per Share	6.39	6.29	5.91	6.13	4.49	1.65

Note 1: The financial information of Q1/2019 has been reviewed by independent auditors.

6.1.2.2. Abbreviated Parent-Company-Only Income Statement-IFRS

Unit: NTD thousands (EPS: NTD)

Item \ Year	Financial Information For The Past 5 Years (Note 1)				
	2015	2016	2017	2018	2019
Net Revenue	7,710,609	7,988,711	7,683,997	7,358,728	7,369,789
Gross Profit	1,780,613	1,896,473	1,670,519	1,642,659	1,411,069
Net Operating Income	1,309,577	1,359,607	1,158,853	1,086,108	922,850
Non-operating Income and Expenses	(36,276)	(148,122)	(75,498)	141,811	3,787
Income before Income Tax	1,273,301	1,211,485	1,083,355	1,227,919	926,637
Income from Continuing Operations	1,041,411	1,025,006	973,889	1,013,603	741,956
Loss from Discontinuing Operations	-	-	-	-	-
Net Income	1,041,411	1,025,006	973,889	1,013,603	741,956
Other Comprehensive Income (Loss), After Tax	45,688	(37,507)	(60,929)	3,496	(21,770)
Comprehensive Income	1,087,099	987,499	912,960	1,017,099	720,186
Net Income Attributable to Shareholders of the Parent	1,041,411	1,025,006	973,889	1,013,603	741,956
Net Income Attributable to Minority Equity	-	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	1,087,099	987,499	912,960	1,017,099	720,186
Comprehensive Income Attributable to Minority Equity	-	-	-	-	-
Earnings Per Share	6.39	6.29	5.91	6.13	4.49

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

6.1.3 Names of the Auditors and their Opinions

Year	CPA Firm	CPA	Auditors' Opinion
2015	KPMG	Yi-Wun Wang, Hsin-Fu Yen	Unqualified opinion
2016	KPMG	Yi-Wun Wang, Hsin-Fu Yen	Unqualified opinion
2017	KPMG	Szu-Chuan Chien, Hsin-Fu Yen	Unqualified opinion
2018	KPMG	Szu-Chuan Chien, Hsin-Fu Yen	Unqualified opinion
2019	KPMG	Szu-Chuan Chien, Jui-Lan, LO	Unqualified opinion

6.2 Financial Analysis

6.2.1 Consolidated Financial Analysis -IFRS

Analysis items (Note 3) / Year		2015	2016	2017	2018	2019	As of 2020/03/31 (Note 1)
		Financial Information For The Past 5 Years					
Capital Structure	Debt Ratio (%)	33.86	33.68	19.67	16.16	18.08	18.17
	Long-term Funds to Property, Plant and Equipment (%)	254.40	226.47	243.89	256.00	186.68	192.36
Liquidity	Current Ratio (%)	492.77	240.93	372.53	468.54	368.40	360.82
	Quick Ratio (%)	446.60	217.58	328.62	388.83	298.13	298.50
	Times Interest Earned (Times)	25.85	26.50	41.13	148.55	126.17	599.83
Operating Performance	Average Collection Turnover (Times)	6.76	6.07	5.63	5.71	5.70	6.00
	Average Collection Days	54	60	65	64	64	61
	Average Inventory Turnover (Times)	6.43	6.50	6.11	4.81	4.57	4.94
	Average Payable Turnover (Times)	15.05	14.55	13.28	11.62	11.88	11.75
	Inventory Turnover Days	57	56	60	76	80	74
	Property, Plant and Equipment Turnover (Times)	1.54	1.59	1.67	1.72	1.50	1.38
	Total Assets Turnover (Times)	0.51	0.53	0.60	0.59	0.60	0.61
Profitability	Return on Total Assets (%)	7.01	6.95	7.05	8.03	6.01	8.66
	Return on Equity (%)	10.33	10.11	9.47	9.72	7.19	10.56
	Income before Income Tax to Issued Capital (%)	78.76	75.08	66.51	75.31	56.98	83.15
	Net Income to Sales (%)	13.40	12.72	12.57	13.67	9.99	13.94
	Earnings Per Share (NT$)	6.39	6.29	5.91	6.13	4.49	1.65
Cash Flow	Cash Flow Ratio (%)	78.09	51.64	137.22	89.13	106.77	140.05
	Cash Flow Adequacy Ratio (%)	Note 2	96.77	114.96	101.11	92.28	115.32
	Cash Flow Re-investment Ratio (%)	3.28	7.50	14.04	3.74	6.34	14.66
Leverage	Operating Leverage	1.91	1.91	1.87	1.77	1.82	1.60
	Financial Leverage	1.04	1.04	1.02	1.01	1.01	1.00

Explanations for Significant Changes (over 20%)

1. Decrease in Long-term Funds to Property, Plant and Equipment: Mainly due to asquire Property, Plant and Equipment.
2. Decreases in Current Ratio and Quick Ratio:Mainly due to asquire Property, Plant and Equipment.
3. Decrease in Profitability:Mainly due to decrease of gross profit in 2019.
4. Increase in Cash Flow Re-investment Ratio: Mainly due to increase of receipts in advance from customers and increase of payment for leased Plant and equipment in compliance with IFRSS 16 in 2019 caused a increase of cash inflow from Operating Activities.

Note 1: The financial information of Q1/2019 has been reviewed by independent auditors.
Note 2: The Cash Flow Adequacy Ratio can't provide due to insufficient data.
Note 3: **Formula for Financial Analysis**:

A. Capital Structure

①Debt ratio = Total liabilities/Total assets
②Long-term funds to property, plant and equipment =（Stockholders' equity＋Noncurrent Liabilities）/ Net Property, Plant and Equipment

B. Liquidity

①Current ratio = Current assets/Current liability
②Quick ratio =（Current asset-Inventories-Pre-paid Expense -Current Deferred Income Tax）/Current Liability
③Times interest earned = Earnings before interest and Taxes/Interest Expense

C. Operating Performance

①Average collection turnover (times)（including accounts receivable and notes receivable from operating）= Net Sales / Average Trade Receivable（including accounts receivable and notes receivable from operating）
②Average collection days = 365 / Average Collection Turnover (Times)
③Average inventory turnover (times) = Cost of Goods Sold / Average Inventory
④Average payable turnover (times)（including accounts payable and notes payable from operating）= Cost of Goods Sold /Average Trade Payables（including accounts payable and notes payable from operating）
⑤Inventory turnover days = 365 / Average Inventory Turnover (times)
⑥Property, plant and equipment turnover (times) = Net Sales / Average Property, Plant and Equipment
⑦Total assets turnover (times) = Net sales / Average Total Assets

D. Profitability

①Return on total assets =[Net Income after Tax+ Interest Expense× (1-Tax Rate)] / Average Total Assets
②Return on Equity = Net Income after Tax / Average Stockholders' Equity.
③Net income to sales = Net Income after Tax / Net Sales.
④EPS =（Net Income after Tax-Preferred Stock Dividend）/ Weighted Average Number of Shares Outstanding

E. Cash Flow

①Cash flow ratio = Net operating cash flow/Current liability.
②Cash flow adequacy ratio = Net operating cash flow over the last 5 years/over the last 5 years(capital expense + inventory+ cash dividend）
③Cash flow re-investment ratio =（Net operating cash flow-cash dividends）/（Gross property, plant and equipment + long-term investment+other assets + working capital）

F. Leverage

①Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations
②Financial leverage = Income from Operations/(Income from Operations-Interest Expenses)

6.2.2 Parent Company Financial Analysis -IFRS

Analysis items (Note 3) / Year		Financial Information For The Past 5 Years (Note 2)				
		2015	2016	2017	2018	2019
Capital Structure	Debt Ratio (%)	32.07	31.66	18.27	14.65	17.41
	Long-term Funds to Property, Plant and Equipment (%)	272.49	278.67	290.41	301.18	206.71
Liquidity	Current Ratio (%)	545.72	244.34	368.81	468.16	328.78
	Quick Ratio (%)	507.35	227.61	331.38	403.67	274.20
	Times Interest Earned (Times)	29.99	31.84	56.81	395.58	393.64
Operating Performance	Average Collection Turnover (Times)	6.76	6.11	5.66	5.73	5.73
	Average Collection Days	53.97	59.78	64.49	63.69	64
	Average Inventory Turnover (Times)	8.92	9.80	8.80	6.66	6.28
	Average Payable Turnover (Times)	13.43	12.92	12.10	11.38	12.04
	Inventory Turnover Days	41	37.25	41.49	54.80	58
	Property, Plant and Equipment Turnover (Times)	2.02	2.02	2.06	2.08	1.72
	Total Assets Turnover (Times)	0.52	0.54	0.60	0.60	0.60
Profitability	Return on Total Assets (%)	7.16	7.11	7.18	8.13	6.06
	Return on Equity (%)	10.33	10.11	9.47	9.72	7.19
	Income before Income Tax to Issued Capital (%)	78.16	74.37	65.52	74.26	56.04
	Net Income to Sales (%)	13.51	12.83	12.67	13.77	10.07
	Earnings Per Share (NT$)	6.39	6.29	5.91	6.13	4.49
Cash Flow	Cash Flow Ratio (%)	90.44	58.18	135.06	96.33	92.17
	Cash Flow Adequacy Ratio (%)	(Note 2)	(Note 2)	117.06	102.06	89.59
	Cash Flow Re-investment Ratio (%)	3.24	8.72	13.83	3.92	5.07
Leverage	Operating Leverage	1.67	1.68	1.71	1.65	1.66
	Financial Leverage	1.03	1.03	1.02	1.00	1.00

Note1: The financial information over the past 5 years has been audited by independent auditors.
Note2: The Cash Flow Adequacy Ratio can't provide due to insufficient data.
Note 3: **Formula for Financial Analysis**:

A. Capital Structure

①Debt ratio = Total liabilities/Total assets

②Long-term funds to property, plant and equipment =（Stockholders' equity＋Noncurrent Liabilities）/ Net Property, Plant and Equipment

B. Liquidity

①Current ratio = Current assets/Current liability

②Quick ratio =（Current asset-Inventories-Pre-paid Expense -Current Deferred Income Tax）/Current Liability

③Times interest earned = Earnings before interest and Taxes/Interest Expense

C. Operating Performance

①Average collection turnover (times)（including accounts receivable and notes receivable from operating）= Net Sales / Average Trade Receivable（including accounts receivable and notes receivable from operating）

②Average collection days = 365 / Average Collection Turnover (Times)

③Average inventory turnover (times) = Cost of Goods Sold / Average Inventory

④Average payable turnover (times)（including accounts payable and notes payable from operating）= Cost of Goods Sold /Average Trade Payables（including accounts payable and notes payable from operating）

⑤Inventory turnover days = 365 / Average Inventory Turnover (times)

⑥Property, plant and equipment turnover (times) = Net Sales / Average Property, Plant and Equipment

⑦Total assets turnover (times) = Net sales / Average Total Assets

D. Profitability

①Return on total assets =[Net Income after Tax+ Interest Expense× (1-Tax Rate)] / Average Total Assets

②Return on Equity = Net Income after Tax / Average Stockholders' Equity.

③Net income to sales = Net Income after Tax / Net Sales.

④EPS =（Net Income after Tax-Preferred Stock Dividend）/ Weighted Average Number of Shares Outstanding

E. Cash Flow

①Cash flow ratio = Net operating cash flow/Current liability.

②Cash flow adequacy ratio = Net operating cash flow over the last 5 years/over the last 5 years（capital expense + inventory+ cash dividend）

③Cash flow reinvestment ratio =（Net operating cash flow-cash dividends）/（Gross property, plant and equipment + long-term investment+other assets + working capital）

F. Leverage

①Operating leverage = (Net Sales-Variable Cost & expense) / Income from Operations

②Financial leverage = Income from Operations/(Income from Operations-Interest Expenses)

6.3 Audit Committee's report for the most recent year's financial statement

Audit Committee's Review Report

The Board of Directors has approved the Company's 2019 Financial Statements, Business Report, and proposal for distribution of earnings. Ms. Szu-Chuan Chien and Ms. Jui-Lan, LO, the engagement partners from KPMG was retained to audit Tong Hsing's Financial Statements and have issued an audit report relating to the Financial Statements.

We have examined the Company's 2019 Financial Statements, Business Report, and the proposal for distribution of earnings that have been approved by the Board of Directors. We hereby respectfully prepare and present this Report in accordance with Article 14-4 of Securities and Exchange Law and Article 219 of The Company Act for your review.

Tong Hsing Electronic Industries, Ltd.

Chairman of the Audit Committee:: Tun-Son Lin

Date: March 18, 2020

6.4 Consolidated Financial statement for the Most Recent Year

Representation Letter

The entities that are required to be included in the combined financial statements of Tong Hsing Electronic Industries, Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tong Hsing Electronic Industries, Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tong Hsing Electronic Industries, Ltd.
Chairman: Tie-Min Chen
Date: March 18, 2020

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Independent Auditors' Report

To the Board of Directors of Tong Hsing Electronic Industries, Ltd.:

Opinion

We have audited the consolidated financial statements of Tong Hsing Electronic Industries, Ltd. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tong Hsing Electronic Industries, Ltd. and its subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Tong Hsing Electronic Industries, Ltd. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

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1. **Valuation of inventories**

Please refer to Note (4)(h) and Note (5)(a) of the consolidated financial statements for inventories accounting policy, and accounting assumptions and estimation uncertainry of inventory valuation, respectively. Information regarding inventory and related expenses are shown in Note (6)(d) of the consolidated financial statements.

Explanation to key audit matter:

Due to the impact of product life cycle and industrial competition in electronics industry, the price variability for the inventory of Tong Hsing Electronic Industries, Ltd. and its subsidiaries is expected. Therefore, the inventory valuation is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing control of inventory usage and storage management; inspecting the inventory aging statement, and analyzing the change of aging for different periods; performing sampling procedures and inspecting the rationality in order to verify the correctness of inventories aging statement; performing a retrospective review of historical accuracy of inventory valuation, and reviewing the adequacy of the accounting policies.

2. **Impairment of goodwill**

Please refer to Note (4)(l) intangible assets and Note (5)(b) of the consolidated financial statements for goodwill accounting policy and accounting assumptions and estimation uncertainty of impairment of goodwill, respectively. Information regarding the impairment of goodwill are shown in Note (6)(h) of the consolidated financial statements.

Explanation to key audit matter:

The goodwill of Tong Hsing Electronic Industries, Ltd. was arose on a business combination in the past. Since the estimation of recoverable amount of goodwill is based on the forecast for the future operation of Tong Hsing Electronic Industries, Ltd., there is uncertainty in estimating the recoverable amount with discounted value of future cash flows. Therefore, the test of impairment of goodwill is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating internal and external objective evidence of impairment identified by the management of Tong Hsing Electronic Industries, Ltd. and assessing the rationality of evaluation method used to estimate recoverable amount; evaluating the accuracy of forecast result in the past, and inspecting the calculations and the records for the recoverable amount of cash-generating units measured by management; evaluating the rationality of all the assumptions for estimating the future cash flows forecast and for calculating the recoverable amount.

Other Matter

Tong Hsing Electronic Industries, Ltd. has prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Tong Hsing Electronic Industries, Ltd. and its subsidiaries or to cease its operations, there is no realistic alternative but to do so.

Those charged with governance (including members of the supervisors) are responsible for overseeing Tong Hsing Electronic Industries, Ltd. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tong Hsing Electronic Industries, Ltd. and its subsidiaries's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tong Hsing Electronic Industries, Ltd. and its subsidiaries's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tong Hsing Electronic Industries, Ltd. and its subsidiaries to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Tong Hsing Electronic Industries, Ltd. and its subsidiaries 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Jui-Lan Lo.

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Taipei, Taiwan (Republic of China)
March 18, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,704,146	30	5,168,430	42
1110	Current financial assets at fair value through profit or loss (note 6(b))	100,937	1	100,394	1
1170	Notes and accounts receivable, net (note 6(c))	1,337,301	11	1,267,822	10
1200	Other receivables	39,873	-	44,325	-
1476	Other financial assets — current (note 8)	39,218	-	70,628	1
1310	Inventories (note 6(d))	1,207,682	10	1,341,567	11
1410	Prepayments	30,645	-	28,408	-
1470	Other current assets (note 6(r))	32,097	-	31,212	-
		6,491,899	52	8,052,786	65
	Non-current assets:				
1600	Property, plant and equipment (notes 6(f), 7 and 8)	5,584,092	45	4,197,116	33
1755	Right-of-use assets (note 6(g))	126,520	1	-	-
1780	Intangible assets (note 6(h))	68,940	1	65,240	1
1840	Deferred tax assets (note 6(o))	138,110	1	129,624	1
1980	Other financial assets — non-current (note 8)	5,000	-	5,000	-
1900	Other non-current assets	8,230	-	13,575	-
		5,930,892	48	4,410,555	35
	Total assets	$ 12,422,791	100	12,463,341	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(i))	$ -	-	249,859	2
2130	Contract liabilities — current (note 6(r))	223,831	2	1,165	-
2170	Notes and accounts payable	483,624	4	498,267	4
2200	Other payables (note 6(k))	783,379	6	772,118	6
2230	Current tax liabilities	213,907	2	150,142	1
2280	Lease liabilities — current (note 6(l))	8,973	-	-	-
2300	Other current liabilities (note 6(r))	48,454	-	47,131	1
		1,762,168	14	1,718,682	14
	Non-Current liabilities:				
2527	Contract liabilities — non-current (note 6(r))	77,765	1	-	-
2570	Deferred tax liabilities (note 6(o))	111,486	1	118,686	1
2580	Lease liabilities — non-current (note 6(l))	118,514	1	-	-
2640	Net defined benefit liability — non-current (note 6(n))	176,132	1	177,288	1
		483,897	4	295,974	2
	Total liabilities	2,246,065	18	2,014,656	16
	Equity:				
	Equity attributable to owners of parent: (note 6(p))				
3100	Ordinary shares	1,653,575	13	1,653,575	13
3200	Capital surplus	4,997,188	40	5,063,801	41
3310	Legal reserve	1,335,844	11	1,234,484	10
3320	Special reserve	74,592	1	105,549	1
3350	Unappropriated retained earnings	2,179,238	18	2,432,168	19
3410	Exchange differences on translation of foreign financial statements	(63,711)	(1)	(40,892)	-
	Total equity	10,176,726	82	10,448,685	84
	Total liabilities and equity	$ 12,422,791	100	12,463,341	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2019		2018	
		Amount	%	Amount	%
4000	**Sales revenue**	$ 7,567,846	102	7,488,000	101
4170	Less: sales returns and allowances	137,192	2	74,488	1
4100	**Net sales revenue** (notes 6(r) and 14)	7,430,654	100	7,413,512	100
5110	**Cost of sales** (notes 6(d), (m), (n) and 12)	5,830,910	78	5,511,828	74
5900	**Gross profit**	1,599,744	22	1,901,684	26
6000	**Operating expenses:** (notes 6(m), (n) and 12)				
6100	Selling expenses	152,371	2	191,981	3
6200	Administrative expenses	434,303	6	443,503	6
6300	Research and development expenses	113,872	2	114,120	2
6450	Expected credit losses (gains)	(12,679)	-	13,519	-
		687,867	10	763,123	11
6900	**Net operating income**	911,877	12	1,138,561	15
	Non-operating income and expenses:				
7100	Interest income	29,383	-	34,303	1
7190	Other income	25,973	-	25,682	-
7230	Foreign exchange (losses) gains, net (note 6(t))	(18,002)	-	59,077	1
7235	Gains on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	543	-	394	-
7510	Finance cost－interest expense	(7,528)	-	(8,440)	-
7590	Miscellaneous disbursements	-	-	(4,294)	-
		30,369	-	106,722	2
7900	**Profit before tax**	942,246	12	1,245,283	17
7950	**Less: tax expenses (note 6(o))**	200,290	2	231,680	3
	Profit	741,956	10	1,013,603	14
	Other comprehensive income: (note 6(o))				
	Items that may not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	1,311	-	(35,646)	(1)
8349	Income tax on items that may not be reclassified to profit or loss	(262)	-	8,185	-
		1,049	-	(27,461)	(1)
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(30,313)	-	41,539	1
8399	Income tax on items that may be reclassified to profit or loss	7,494	-	(10,582)	-
		(22,819)	-	30,957	1
	Other comprehensive income	(21,770)	-	3,496	-
8500	**Comprehensive income**	**$ 720,186**	**10**	**1,017,099**	**14**
	Earnings per share (note 6(q))				
9750	Basic earnings per share	**$ 4.49**		**6.13**	
9850	Diluted earnings per share	**$ 4.47**		**6.09**	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2018	$ 1,653,575	5,233,426	1,137,095	33,700	2,427,991	3,598,786	(71,849)	10,413,938
Effects of retrospective application	-	-	-	-	9,793	9,793	-	9,793
Balance on January 1, 2018 after adjustments	1,653,575	5,233,426	1,137,095	33,700	2,437,784	3,608,579	(71,849)	10,423,731
Consolidated net income for the year ended December 31, 2018	-	-	-	-	1,013,603	1,013,603	-	1,013,603
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(27,461)	(27,461)	30,957	3,496
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	986,142	986,142	30,957	1,017,099
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	97,389	-	(97,389)	-	-	-
Special reserve appropriated	-	-	-	71,849	(71,849)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(822,520)	(822,520)	-	(822,520)
Cash dividends from capital surplus	-	(169,625)	-	-	-	-	-	(169,625)
Balance on December 31, 2018	1,653,575	5,063,801	1,234,484	105,549	2,432,168	3,772,201	(40,892)	10,448,685
Consolidated net income for the year ended December 31, 2019	-	-	-	-	741,956	741,956	-	741,956
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	1,049	1,049	(22,819)	(21,770)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	743,005	743,005	(22,819)	720,186
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	101,360	-	(101,360)	-	-	-
Special reserve appropriated	-	-	-	(30,957)	30,957	-	-	-
Cash dividends of ordinary share	-	-	-	-	(925,532)	(925,532)	-	(925,532)
Cash dividends from capital surplus	-	(66,613)	-	-	-	-	-	(66,613)
Balance on December 31, 2019	$ 1,653,575	4,997,188	1,335,844	74,592	2,179,238	3,589,674	(63,711)	10,176,726

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 942,246	1,245,283
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	741,436	875,959
Amortization expense	8,422	4,121
Expected credit losses (gains)	(12,679)	13,519
Net gain on financial assets or liabilities at fair value through profit or loss	(543)	(394)
Interest expense	7,528	8,440
Interest income	(29,383)	(34,303)
Gain on disposal of property, plant and equipment	(8,491)	(13,294)
Other	2,310	224
Total adjustments to reconcile profit (loss)	708,600	854,272
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	-	(100,000)
(Increase) decrease in contract assets	111	(2,057)
(Increase) decrease in notes and accounts receivable	(55,581)	60,758
(Increase) decrease in other receivables	3,601	(6,459)
(Increase) decrease in inventories	133,885	(409,533)
(Increase) decrease in prepayments	(2,237)	2,727
Increase in other current assets	(996)	(652)
Increase in other financial assets – current	-	(2,384)
Increase (decrease) in notes and accounts payable	(14,643)	47,957
Increase (decrease) in other payables	(11,607)	31,437
Increase in other current liabilities	1,323	3,451
Increase (decrease) in contract liabitities - current and non - current	300,431	(139)
Increase (decrease) in net deferred benefit liabilities	155	(9,522)
	354,442	(384,416)
Cash inflow generated from operations	2,005,288	1,715,139
Interest received	29,015	33,240
Interest paid	(7,528)	(9,296)
Income taxes paid	(145,271)	(207,149)
Net cash flows from operating activities	1,881,504	1,531,934
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(2,144,025)	(648,266)
Proceeds from disposal of property, plant and equipment	43,251	31,942
Decrease in refundable deposits	3,564	3,885
Acquisition of intangible assets	(11,036)	(13,212)
Decrease in other financial assets	31,410	-
Other	-	(615)
Net cash flows used in investing activities	(2,076,836)	(626,266)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(251,430)	(29,619)
Repayments of long-term borrowings	-	(627,925)
Payments of lease liabilities	(9,490)	-
Cash dividends paid	(992,145)	(992,145)
Net cash flows used in financing activities	(1,253,065)	(1,649,689)
Effect of exchange rate changes on cash and cash equivalents	(15,887)	28,461
Net decrease in cash and cash equivalents	(1,464,284)	(715,560)
Cash and cash equivalents at beginning of period	5,168,430	5,883,990
Cash and cash equivalents at end of period	$ 3,704,146	5,168,430

See accompanying notes to consolidated financial statements

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tong Hsing Electronic Industries, Ltd. ("the Company") was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company' s registered office is 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The consolidated financial statements of the Company as at and for the year ended December 31, 2019 comprised the Company and subsidiaries (together referred to as the "Group"). The Group primarily is involved in the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the board of directors on March 18, 2020.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

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

The Group applied IFRS 16 using the modified retrospective approach, and there was no effect on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of vehicles.

Leases were classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

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

3) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $127,756 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.80%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 37,185
Recognition exemption for:	
short-term leases	(3,987)
Extension and termination options reasonably certain to be exercised	131,123
	$ 164,321
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	$ 127,756

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

The Group believes that initial application of the new standard on January 1, 2019 has no impact on the deferred tax liabilities and retained earnings.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC (hereinafter referred to as "IFRS endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities are measured at less, fair value of plan assets less the present value of the defined benefit obligation limited as explained in please note (4)(o).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding		
Name of investor	**Name of subsidiary**	**Nature of operation**	**December 31, 2019**	**December 31, 2018**	**Note**
The Company	Tong Hsing Electronics Phils. Inc. (THEPI)	Sales and manufacturing of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors	100 %	100 %	-

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

When the settlement of a monetary receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign exchange currency gains and losses arising form such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, refundable deposits and other financial assets), and contract assets.

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

(Continued)

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

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that financial assets is credit-impaired includes the following observable data:

(Continued)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(Continued)

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures: 2 ~ 50 years

2) Machinery and equipment: 2 ~10 years

3) Office equipment: 2 ~10 years

4) Leasehold improvements: 5 ~ 25 years

5) Building and equipment constitute mainly building, air conditioning equipment, and elevator engineering equipment and its related facilities. Each part depreciates based on its useful life.

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

(k) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents the right-of-use asset that do not meet the definition of investment and the lease liability as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets, including copying machines. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Computer software	3 years
2)	Patents	5 years
3)	Customer relationships	7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

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

(i) Sale of goods

The Group manufactures and sells electronic components to electronic manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. For certain image sensors product contracts, the customer controls all of the work in progress as the products are being manufactured. In such case, revenue will be recognized as the products are being manufactured.

The Group often offers trade discounts to its customers. Revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of discount, revenue is expected to be recognized earlier than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset recognized as right to recover products from customers will be recognized for these contracts and presented separately in the statement of financial position.

No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 90 days, which is consistent with the market practice.

(ii) Financing components

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

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(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

(Continued)

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    1) the same taxable entity; or

    2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(Continued)

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Due to the impact of product life cycle and industrial competition in electronic industry, which tends to devalue the inventories, the Group evaluates the costs of inventories using the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to note (6)(d) of the consolidated financial statement for inventory valuation.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgment to identify cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units. Please refer to note (6)(h) for further description of the impairment of goodwill.

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and foreign currency on hand	$ 403	383
Checking accounts and demand deposits	2,321,497	1,268,717
Time deposits	1,382,246	3,899,330
	$ 3,704,146	5,168,430

Refer to note (6)(t) for the exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Open-end mutual founds	$ 100,937	100,394

(c) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable – measured at amortized cost	$ 1,402,772	1,347,286
Less: allowance for impairment	(65,471)	(79,464)
	$ 1,337,301	1,267,822

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including overall economic environment and related industrial information. The loss allowance provision was determined as follows:

(Continued)

(i) Credit rate A

Aging interval	December 31, 2019 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 74,852	-	-
31 to 60 days	44,397	0.50%	222
61 to 90 days	11,672	1.50%	175
91 to 120 days	1,310	5.00%	65
121 to 180 days	6,506	10.00%	651
181 to 360 days	134	50.00%	67
	$ 138,871		1,180

Aging interval	December 31, 2018 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 59,189	-	-
31 to 60 days	85,325	0.50%	427
61 to 90 days	15,381	1.50%	231
91 to 120 days	816	5.00%	41
121 to 180 days	3,566	10.00%	356
181 to 360 days	8	50.00%	4
	$ 164,285		1,059

(ii) Credit rate B

Aging interval	December 31, 2019 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 587,911	1.50%	8,912
31 to 60 days	464,517	5.00%	23,226
61 to 90 days	130,908	10.00%	13,091
91 to 120 days	73,258	20.00%	14,652
121 to 180 days	5,794	50.00%	2,897
181 to 360 days	1,496	100.00%	1,496
More than 361 days	17	100.00%	17
	$ 1,263,901		64,291

(Continued)

	December 31, 2018		
Aging interval	Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 488,837	1.50%	7,475
31 to 60 days	439,535	5.00%	21,977
61 to 90 days	160,969	10.00%	16,097
91 to 120 days	67,604	20.00%	13,521
121 to 180 days	13,441	50.00%	6,720
181 to 360 days	12,615	100.00%	12,615
	$ 1,183,001		78,405

The movement in the allowance for notes and accounts receivable were as follows:

	2019	2018
Balance on January 1, 2019 and 2018	$ 79,464	66,017
Impairment loss recognized (reversed)	(13,898)	13,533
Amounts written off	-	(86)
Effect of changes in exchange rates	(95)	-
Balance on December 31, 2019 and 2018	$ 65,471	79,464

As of the reporting date, the Group did not provide any notes and accounts receivable as collateral for its loans.

(d) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 164,870	226,728
Semi-finished goods	166,665	213,550
Work in progress	187,561	194,674
Raw materials	500,460	548,766
Indirect materials	188,126	157,849
	$ 1,207,682	1,341,567

(i) The details of costs of sales for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Cost of sales and expense	$	5,782,175	5,476,429
Costs for write-downs on inventory valuation and obsolescence		48,735	35,399
	$	5,830,910	5,511,828

(ii) As of December 31, 2019 and 2018, the Group did not provide any inventories as collateral for its loans.

(e) Non-current assets held for sale (recorded under other current assets)

In November 2017, the Group signed a contract with KNC Co., Ltd. to sell a unit of factory. Therefore, the property was recorded under non-current assets held for sale on December 31, 2017. In January 2018, the legal procedures of the transaction has been completed and all payments has been received.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

		Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:								
Balance on January 1, 2019	$	413,719	2,606,047	4,358,883	373,410	6,704	144,618	7,903,381
Additions		1,439,544	87,860	490,757	53,945	-	94,787	2,166,893
Transferred in (out)		-	24,671	89,351	2,642	-	(118,373)	(1,709)
Disposals		(2,401)	(123,804)	(896,568)	(44,858)	(4,664)	-	(1,072,295)
Effects of movements in exchange rates		-	(11,456)	(40,675)	(5,828)	(46)	192	(57,813)
Balance on December 31, 2019	$	1,850,862	2,583,318	4,001,748	379,311	1,994	121,224	8,938,457
Balance on January 1, 2018	$	402,071	2,525,192	5,084,626	377,896	6,495	112,280	8,508,560
Additions		11,648	55,574	444,620	16,810	-	128,600	657,252
Transferred in (out)		-	14,355	78,847	3,224	-	(96,639)	(213)
Disposals		-	(5,301)	(1,305,643)	(31,933)	-	-	(1,342,877)
Effects of movements in exchange rates		-	16,227	56,433	7,413	209	377	80,659
Balance on December 31, 2018	$	413,719	2,606,047	4,358,883	373,410	6,704	144,618	7,903,381

(Continued)

	Land	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
Depreciation and impairment loss:							
Balance on January 1, 2019	$ -	522,260	2,894,616	285,658	3,731	-	3,706,265
Depreciation for the year	-	132,922	552,484	45,296	183	-	730,885
Disposals	-	(99,491)	(890,088)	(44,858)	(3,098)	-	(1,037,535)
Effects of movements in exchange rates	-	(4,040)	(36,491)	(4,701)	(18)	-	(45,250)
Balance on December 31, 2019	$ -	551,651	2,520,521	281,395	798	-	3,354,365
Balance on January 1, 2018	$ -	393,927	3,444,762	265,500	3,406	-	4,107,595
Depreciation for the year	-	126,971	702,964	45,813	211	-	875,959
Disposals	-	(5,301)	(1,299,138)	(32,366)	-	-	(1,336,805)
Effects of movements in exchange rates	-	6,663	46,028	6,711	114	-	59,516
Balance on December 31, 2018	$ -	522,260	2,894,616	285,658	3,731	-	3,706,265
Book value:							
Balance on December 31, 2019	$ 1,850,862	2,031,667	1,481,227	97,916	1,196	121,224	5,584,092
Balance on January 1, 2018	$ 402,071	2,131,265	1,639,864	112,396	3,089	112,280	4,400,965
Balance on December 31, 2018	$ 413,719	2,083,787	1,464,267	87,752	2,973	144,618	4,197,116

Considering the Group's future growth and production, the board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyuan City with a purchase consideration of $1,413,316. The above payments had been fully paid and the legal procedures of transaction had been completed.

As of December 31, 2019 and 2018, the Group had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(g) Right-of -use assets

The Group leases many assets including land, staff dormitories and office equipment. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings and structures	Office equipment	Total
Cost:				
Balance on January 1, 2019	$ -	-	-	-
Effects of retrospective application	97,756	18,004	11,996	127,756
Balance on January 1, 2019 after adjustments	97,756	18,004	11,996	127,756
Additions	-	10,796	14,901	25,697
Reductions	-	(11,977)	(6,948)	(18,925)
Balance on December 31, 2019	$ 97,756	16,823	19,949	134,528

(Continued)

	Land	Buildings and structures	Office equipment	Total
Depreciation and impairment loss:				
Balance on January 1, 2019	$ -	-	-	-
Effects of retrospective application	-	-	-	-
Balance on January 1, 2019 after adjustments	-	-	-	-
Depreciation for the year	2,715	5,480	2,356	10,551
Reductions	-	(1,795)	(748)	(2,543)
Balance on December 31, 2019	$ 2,715	3,685	1,608	8,008
Carrying amount:				
Balance on December 31, 2019	$ 95,041	13,138	18,341	126,520

The Group leases offices space and vehicles under an operating lease for the years ended December 31, 2018, please refer to note (6)(m).

(h) Intangible Assets

(i) Goodwill from a business combination

The Group merged with Impac Technology Co., Ltd. in 2009 in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 25 "Business Combinations", and the cost of acquisition was allocated to the fair value of the assets acquired and the liabilities assumed within one year of acquisition date. The cost of investment exceeds the fair value of identifiable net assets is recognized as goodwill.

The aforementioned acquisition price was assessed by the independent experts, and the allocations of the cost of acquisition were as follows:

Acquisition price	$ 209,880
Less: the fair value of identifiable net assets	
Net working capital	26,809
Fixed assets	56,382
Net other assets	11,510
Intangible assets	63,243
Total	157,944
Goodwill	$ 51,936

The goodwill both amounted to $51,936 as of December 31, 2019 and 2018.

(Continued)

(ii) The cost and amortization of intangible assets of the Group were as follows:

		Goodwill	Patents	Cost of computer software	Customer relationship	Total
Cost:						
Balance on January 1, 2019	$	51,936	25,462	17,640	41,776	136,814
Additions		-	-	11,036	-	11,036
Transferred in (out)		-	-	1,086	-	1,086
Disposals		-	-	(520)	-	(520)
Balance on December 31, 2019	$	51,936	25,462	29,242	41,776	148,416
Balance on January 1, 2018	$	51,936	25,462	7,427	41,776	126,601
Additions		-	-	13,212	-	13,212
Disposals		-	-	(2,999)	-	(2,999)
Balance on December 31, 2018	$	51,936	25,462	17,640	41,776	136,814
Amortization:						
Balance on January 1, 2019	$	-	25,462	4,336	41,776	71,574
Amortization for the year		-	-	8,422	-	8,422
Disposals		-	-	(520)	-	(520)
Balance on December 31, 2019	$	-	25,462	12,238	41,776	79,476
Balance on January 1, 2018	$	-	25,462	3,214	41,776	70,452
Amortization for the year		-	-	4,121	-	4,121
Disposals		-	-	(2,999)	-	(2,999)
Balance on December 31, 2018	$	-	25,462	4,336	41,776	71,574
Book value:						
Balance on December 31, 2019	$	51,936	-	17,004	-	68,940
Balance on January 1, 2018	$	51,936	-	4,213	-	56,149
Balance on December 31, 2018	$	51,936	-	13,304	-	65,240

(iii) Amortization recognized

As of December 31, 2019 and 2018, the amortization expenses of intangible assets in the statement of comprehensive income were as follows:

		2019	2018
Operating costs	$	2,390	852
Operating expenses	$	6,032	3,269

(iv) Test of goodwill impairment

For the purpose of impairment test, goodwill was mainly allocated to the cash-generating units —BU3.

The recoverable amount of cash-generating unit— BU3 is determined based on the value in use, which was calculated based on the cash flow forecast from the financial budgets covering the future one-year period, and the Group used the annual discount rates of 9.57% and of 14.54%, respectively, in its impairment test for the years ended December 31, 2019 and 2018. The estimation of discount rate was based on the weighted-average capital cost.

(Continued)

Based on the result of impairment test, the recoverable amounts determined by the value in use were both higher than the carrying amounts as of December 31, 2019 and 2018. Therefore, the Group did not recognize any impairment loss on goodwill.

(v) Collateral

As of December 31, 2019 and 2018, the Group did not provide intangible assets as collateral for its loans.

(i) Short-term borrowings

Details of short-term borrowings were as follows:

	December 31, 2019	December 31, 2018
Credit loans	$ -	4,730
Secured loans	-	245,129
	$ -	249,859
Unused short-term credit lines	$ 2,036,614	1,433,796
Range of interest rates	-	0.55%~3.804%

(i) As of December 31, 2018, part of the Group's short-term borrowings and credit lines were guaranteed by the key management personnel. Please refer to note (7).

(ii) Please refer to note (8) for the information about the Group providing assets as collateral for part of its borrowings and credit lines.

(j) Long-term borrowings

Details of long-term borrowings were as follows:

	December 31, 2019	December 31, 2018
Secured loans	$ -	-
Unused long-term credit lines	$ 1,565,000	65,000

(i) Collateral for loans

1) As of December 31, 2018, part of the Group's long-term borrowings and the credit lines were guaranteed by the key management personnel. Please refer to note (7).

2) Please refer to note (8) for the information about the Group providing assets as collateral for part of its long-term borrowings.

(Continued)

(ii) Compliance with loans contract

The Group signed a five-year syndicated loan agreement with E.Sun Bank and seven other financial institutions in April 2013. The total credit line amounted to $2,000,000. Based on the syndicated loan contract, the current ratio (current assets/current liabilities) of the Group should be maintained at 100% or more, the debt ratio (liabilities/tangible net worth) should be 100% or less, and the tangible net worth (net worth less intangible assets) should be maintained at NT$6 billion or more. The ratios and the standards mentioned above should be audited at least annually, with the consolidated financial statements audited by a CPA approved by the bank. Once the relevant terms are violated, the borrower shall improve within nine months, and if the financial ratios reviewed by the CPA meet the requirements after adjustment, it is not deemed a breach. During the period of improvement, the unused credit line will be suspended until the required ratios are met. The borrower shall pay the amount of outstanding principal with an extra annual interest rate of 0.125% from the default date to the date the improvement is completed, and then the syndicate banks may take recovery action. The Company complied with the requirements of the loan contract during the contract period.

(iii) Repayment of loan contract

The Group signed a five-year syndicated loan agreement with E.Sun Bank and seven other financial institutions in April 2013. Based on the contract, the first repayment of the used outstanding principal balance shall be made 24 full months after the first date of use. After the first repayment, the repayment shall be made every 6 months, and there are 7 repayments to be made. 10% of the principal shall be repaid in each of the first to the sixth repayments, and the last 40% of the principal shall be repaid in the seventh repayment. In any case, the outstanding principal balance and the interest shall be fully repaid within the credit period. The above borrowing had been repaid in March 2018.

(k) Other payables

Details of other payables were as follows:

	December 31, 2019	December 31, 2018
Salaries, employees' compensation and directors' and supervisors' remuneration	$ 321,713	332,287
Payable on machinery and equipment	92,253	69,385
Accrued employee benefit liabilities	42,278	41,123
Accrued expenses	327,135	329,323
	$ 783,379	772,118

The accrued expenses included professional service fees, commission, labor insurance and health insurance, etc.

(l) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2019
Current	$ 8,973
Non-current	$ 118,514

For the maturity analysis, please refer to note (6)(t).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 2,347
Variable lease payments not included in the measurement of lease liabilities	$ 109,740
Expenses relating to short-term leases	$ 9,939
Expenses relating to leases of low-value assets, excluding short-term leases of low-value leases	$ 19

The amount recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	$ 131,535

(i) Real estate leases

The Group leases land, buildings and structures for its factory and staffs' dormitories. The leases typically run for a period of one to twenty years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases office equipment, with lease terms of three to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for rent payments that are based on actual usage in the period.

The Group also leases vehicles and copying machines, with lease terms of one to three years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(m) Operating lease

(i) Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	$ 13,229
Between two and five years	23,956
	$ 37,185

The Group leased office space and vehicles under operating leases with lease terms of one to five years and had an option to renew the leases. Lease payments are adjusted periodically to reflect market rentals.

(ii) For the year ended December 31, 2018, expense recognized in profit or loss under operating leases amounted to $89,845.

(n) Employee benefits

(i) Defined benefit plans

1) Reconciliation of the defined benefit obligation at present value and plan assets at fair value of the Company were as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ (364,031)	(452,999)
Fair value of plan assets	270,307	316,083
Net defined benefit liabilities	$ (93,724)	(136,916)

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

2) Reconciliation of defined benefit obligations at present value and plan assets at fair value of THEPI were as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ (87,552)	(44,821)
Fair value of plan assets	5,144	4,449
Net defined benefit liabilities	$ (82,408)	(40,372)

THEPI makes defined benefit plan contributions to the pension fund account at local bank in Philippines. The plans entitle a retired employee to receive retirement benefits based on years of service and average salary prior to retirement.

3) Composition of plan assets

The Company allocates its pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to \$270,307 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor. Funds, Ministry of labor.

The defined benefit obligations of THEPI is composed of cash, and is managed by local bank in Philippines. Defined benefit obligations balance amounted to \$5,152 at the end of the reporting period.

4) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	2019	2018
Defined benefit obligation on January 1	$ (497,820)	(472,373)
Current service costs and interest	(18,258)	(19,399)
Benefits paid by the plan	70,271	32,877
Re-measurement of the net defined benefit liability		
-Return on plan assets (excluding current interest income)	4,068	(11,162)
-Actuarial gains (losses) arose from changes in financial assumptions	(8,856)	(28,624)
Exchange difference on foreign plan	(988)	861
Defined benefit obligation on December 31	$ (451,583)	(497,820)

(Continued)

5) Movements of the defined benefit plan assests

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2019	2018
Fair value of plan assets on January 1	$	320,532	321,209
Interest income		4,484	5,140
Benefits paid by the plan		(70,271)	(32,877)
Re-measurements of the net defined benefit asset			
-Return on plan assets (excluding current interest income)		6,099	4,140
Contributions paid by the employer		14,550	22,963
Exchange difference on foreign plan		57	(43)
Fair value of plan assets on December 31	$	275,451	320,532

6) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2019	2018
Net interest on the net defined benefit liabilities	$	4,948	4,449
Current service cost and settlement losses (gains)		8,826	9,810
	$	13,774	14,259
Cost of sales	$	9,743	9,469
Selling expense		189	109
Administrative expense		3,668	4,555
Research and development expense		174	126
	$	13,774	14,259

7) Re-measurement of the net defined benefit liabilities recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Accumulated amount on January 1	$	117,743	82,097
Recognized during the period		(1,311)	35,646
Accumulated amount on December 31	$	116,432	117,743

(Continued)

8) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019		December 31, 2018	
	The Company	**THEPI**	**The Company**	**THEPI**
Discount rate	1.125 %	5.500 %	1.375 %	7.800 %
Future salary increasing rate	2.800 %	8.000 %	3.000 %	7.000 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is $24,786.

The weighted-average lifetime of the defined benefit plan are 14.00 to 16.85 years.

9) Sensitivity analysis

As of December 31, 2019 and 2018, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

A. The Company

	Influences of defined benefit obligations	
Actuarial assumption	**Increased 0.25%**	**Decreased 0.25%**
December 31, 2019		
Discount rate	$ (12,665)	13,271
Future salary increasing rate	12,839	(12,331)
December 31, 2018		
Discount rate	(14,845)	15,555
Future salary increasing rate	15,059	(14,465)

B. THEPI

	Influences of defined benefit obligations	
Actuarial assumption	**Increased 1%**	**Decreased 1%**
December 31, 2019		
Discount rate	$ (14,159)	17,704
Future salary increasing rate	16,495	(13,567)
December 31, 2018		
Discount rate	(6,632)	8,175
Future salary increasing rate	7,861	(6,515)

(Continued)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs under the defined contribution method amounted to $44,131 and $41,343 for the years ended December 31, 2019 and 2018, respectively.

(o) Income Taxes

(i) Income tax expenses

1) The components of income tax expense in the years 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Current period	$	211,086	176,281
Adjustment for prior periods		(2,342)	-
		208,744	176,281
Deferred tax expense			
Origination and reversal of temporary differences		(8,454)	78,536
Adjustment in tax rate		-	(23,137)
		(8,454)	55,399
Income tax expense	$	**200,290**	**231,680**

(Continued)

2) The amount of income tax expense (benefit) recognized in other comprehensive income for 2019 and 2018 were as follows:

		2019	2018
Items that may not be reclassified to profit or loss:			
Re-measurement of the defined benefit plans	$	262	(8,185)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements		(7,494)	10,582
	$	(7,232)	2,397

3) Reconciliation of income tax and profit before tax for 2019 and 2018 were as follows:

		2019	2018
Profit before income tax	$	942,246	1,245,283
Income tax using the Company's domestic tax rate		188,449	249,057
Effect of tax rates in foreign jurisdiction		12,487	13,891
Tax-exempt income		(109)	(4,088)
Under (over) provision in prior periods		(2,342)	-
Adjustment in tax rate		-	(23,137)
Others		1,805	(4,043)
	$	200,290	231,680

(ii) Deferred tax assets and liabilities

The Group has no unrecognized deferred tax assets and liabilities. Changes in the amount of recognized deferred tax assets and liabilities for 2019 and 2018 were as follows:

		Defined benefit plans	Provision for the land value increment tax	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2019	$	4,430	80,950	33,306	118,686
Recognized in profit or loss		194	-	(2,770)	(2,576)
Recognized in other comprehensive income		(4,624)	-	-	(4,624)
Balance on December 31, 2019	$	-	80,950	30,536	111,486
Balance on January 1, 2018 (including adjustments on initial application of new standards)	$	1,095	80,950	23,173	105,218
Recognized in profit or loss		-	-	10,133	10,133
Recognized in other comprehensive income		3,335	-	-	3,335
Balance on December 31, 2018	$	4,430	80,950	33,306	118,686

(Continued)

		Foreign currency translation adjustment	Defined benefit plans	Loss in investments for using equity method	Others	Total
Deferred tax assets:						
Balance on January 1, 2019	$	2,006	38,666	56,319	32,633	129,624
Recognized in profit or loss		-	(1,553)	7,276	155	5,878
Recognized in other comprehensive income		7,494	(4,886)	-	-	2,608
Balance on December 31, 2019	$	9,500	32,227	63,595	32,788	138,110
Balance on January 1, 2018	$	12,588	25,631	111,302	24,431	173,952
Recognized in profit or loss		-	1,515	(54,983)	8,202	(45,266)
Recognized in other comprehensive income		(10,582)	11,520	-	-	938
Balance on December 31, 2018	$	2,006	38,666	56,319	32,633	129,624

(iii) The Group's income tax returns are calculated and filed based on the local tax law of the Company and THEPI.

(iv) THEPI's products that met the prescribed criteria for tax exemption under the local tax laws were as follows:

Tax exemption products	Tax exemption	Tax exemption period
LED lighting module assembly project	Tax exemption on THEPI's corporate income taxes for five years	January 2015 to December 2018

(v) Examination and approval

The ROC tax authorities have examined the Company's income tax returns through 2015.

(p) Capital and other equity

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 200,000 thousand shares, with par value of $10 per share. The total value of authorized ordinary shares amounted to $2,000,000, of which $100,000 were reserved for the issuance of employee stock options. As of that date, 165,357 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2019	December 31, 2018
Capital surplus－additional paid-in capital	$	4,940,969	5,007,582
Other		56,219	56,219
	$	4,997,188	5,063,801

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Cash dividends from capital surplus amounting to $66,613 representing $0.40284293 per share and $169,625, representing $1.02581032 per share, respectively, were approved during the annual meeting of the shareholders held on June 21, 2019 and June 15, 2018, respectively.

(ii) Retained earnings

In accordance with the Company's articles of incorporation, the Company's net earnings shall first defray tax due, and offset the prior years' deficit. Of the remaining balance, 10% is to be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital, and an amount equal to a net debit balance of stockholders' equity is appropriated as a special reserve. The remaining balance and the accumulated unappropriated earnings of prior years, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors, and be distributed as dividends to stockholders after the approval of the annual stockholders' meeting. Based on the policy on stock dividends and in accordance with such factors as the development plan, investment environment, capital requirements, competitive environment, and benefits to stockholders, the cash dividends shall not be less than 30% of the total amount of dividends. After considering the actual profit and capital situation, the amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company shall reclassified its unrealized revaluation gains amounting to $161,156 as retained earnings. According to the Ruling No. 1010012865 issued by FSC on April 6, 2012, the company is able to reclassified its net increasing retained earnings as special earnings reserve which resulted from the first-time adoption of the IFRS after the adoption date. When the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve both amounted to $33,700 on December 31, 2019 and 2018.

(Continued)

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

3) Earnings distribution

Earnings distribution for 2018 and 2017 were approved via the annual meeting of shareholders held on June 21, 2019 and June 15, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 5.59715707	925,532	4.97418968	822,520

The related information about earnings distribution can be accessed from the Market Observation Post System website.

(q) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2019 and 2018 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 741,956	1,013,603

2) Weighted-average number of ordinary shares (thousands)

	2019	2018
Weighted-average number of ordinary shares	165,357	165,357

3) Basic earnings per share (NTD)

	2019	2018
Basic earnings per share	$ 4.49	6.13

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2019 and 2018 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company (diluted)	$ 741,956	1,013,603

2) Weighted-average number of ordinary shares (diluted) (thousands)

	2019	2018
Weighted-average number of ordinary shares (basic) (thousands)	165,357	165,357
Effect of employee remuneration (thousands)	592	959
Weighted-average number of ordinary shares (diluted) on December 31	165,949	166,316

3) Diluted earnings per share (NTD)

	2019	2018
Diluted earnings per share	$ 4.47	6.09

(Continued)

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019				
	BU1	**BU2**	**BU3**	**Others**	**Total**
Primary geographical markets:					
Singapore	$ 291,125	15,291	1,672,932	36,179	2,015,527
Malaysia	660,593	786,269	90,293	1,973	1,539,128
United States	157,134	104,715	707,686	49,065	1,018,600
Hong Kong	127,453	1,180	823,832	1,719	954,184
China	391,871	142,413	198,527	1,255	734,066
Others	295,990	179,795	590,853	102,511	1,169,149
	$ 1,924,166	1,229,663	4,084,123	192,702	7,430,654
Major products/services lines:					
Metalized ceramic substrates	$ 1,923,764	-	694,243	-	2,618,007
Image sensors	-	109,547	2,085,184	-	2,194,731
Hybrid integrated circuits	246	1,057,964	960,749	-	2,018,959
RF modules	156	62,152	343,947	-	406,255
Others	-	-	-	192,702	192,702
	$ 1,924,166	1,229,663	4,084,123	192,702	7,430,654

	2018				
	BU1	**BU2**	**BU3**	**Others**	**Total**
Primary geographical markets:					
Singapore	$ 488,218	18,058	1,757,833	15,054	2,279,163
Malaysia	821,553	409,968	62,058	201	1,293,780
United States	300,192	178,528	516,339	60,479	1,055,538
Hong Kong	115,130	1,755	937,181	1,019	1,055,085
China	347,805	5,081	168,852	1,952	523,690
Others	324,367	159,251	629,962	92,676	1,206,256
	$ 2,397,265	772,641	4,072,225	171,381	7,413,512
Major products/services lines:					
Metalized ceramic substrates	$ 2,396,821	-	938,177	-	3,334,998
Image sensors	-	142,280	2,055,523	-	2,197,803
Hybrid integrated circuits	444	514,854	889,462	-	1,404,760
RF modules	-	115,507	189,063	-	304,570
Others	-	-	-	171,381	171,381
	$ 2,397,265	772,641	4,072,225	171,381	7,413,512

(Continued)

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$ -	-	1,784
Accounts receivable	1,402,772	1,347,286	1,406,346
Contract assets – image sensors product (recorded under other current assets)	29,905	30,016	27,959
Less: allowance for impairment	(65,471)	(79,464)	(66,017)
Total	$ 1,367,206	1,297,838	1,370,072

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities – advance sales receipts (including current and non-current portion)	$ 301,596	1,165	1,304

For details on accounts receivable and allowance for impairment, please refer to note (6)(c).

The amounts of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liabilities balance at the beginning of the period were $0 and $142, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(s) Employee compensation and directors' remuneration

Based on the Company's articles of incorporation, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' and supervisors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors and supervisors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

Based on the Company's articles of incorporation which were approved during the annual meeting of shareholders held on June 21, 2019, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $66,728 and $88,970, and directors' and supervisors' remuneration amounting to $18,938 and $7,600, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating

(Continued)

costs or operating expenses during 2019 and 2018. The differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the following year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2019 and 2018. Related information would be available on the Market Observation Post System Website.

(t) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) The concentration of credit risk

The Group caters to a wide variety of customers and has a diverse market distribution, therefore, the Group does not have a significant credit risk concentration. In order to reduce the credit risk, the Group monitors the financial conditions of customers regularly. However, the Group usually does not require customers to provide any collateral.

3) Receivables credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(c). Other financial assets at amortized cost, including other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g).

The allowance for impairment of other receivables for the years ended December 31, 2019 and 2018 were as follows:

		Other receivables
Balance on January 1, 2019	$	312
Impairment loss recognized		1,219
Effects of changes in exchange rates		(27)
Balance on December 31, 2019	$	1,504
Balance on January 1, 2018	$	315
Impairment loss reversed		(14)
Effects of changes in exchange rates		11
Balance on December 31, 2018	$	312

(Continued)

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	Over a year
December 31, 2019				
Non-derivative financial liabilities:				
Notes and accounts payable	$ 483,624	(483,624)	(483,624)	-
Other payables	419,388	(419,388)	(419,388)	-
Lease liabilities (including current and non-current portion)	127,487	(162,651)	(11,194)	(151,457)
	$ 1,030,499	(1,065,663)	(914,206)	(151,457)
December 31, 2018				
Non-derivative financial liabilities:				
Short-term borrowings	$ 249,859	(249,859)	(249,859)	-
Notes and accounts payable	498,267	(498,267)	(498,267)	-
Other payables	398,708	(398,708)	(398,708)	-
	$ 1,146,834	(1,146,834)	(1,146,834)	-

The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 75,796	USD/NTD =29.98	2,272,364	53,453	USD/NTD =30.715	1,641,809
Financial liabilities						
Monetary items						
USD	11,967	USD/NTD =29.98	358,771	13,667	USD/NTD =30.715	419,782
JPY	457,295	JPY/NTD =0.2760	126,213	605,212	JPY/NTD =0.2782	168,370

(Continued)

2) Sensitivity analysis

		2019	2018
USD (against the NTD)			
Strengthening 5%	$	95,680	61,101
Weakening 5%		(95,680)	(61,101)
JPY (against the NTD)			
Strengthening 5%		(6,311)	(8,419)
Weakening 5%		6,311	8,419

(iv) Foreign exchange gains or losses on monetary items

Gains or losses on foreign exchange of the Group's monetary items from the translation of functional currency, including realized and unrealized portion, and the information about the exchange rate of the translation to NTD, which is the presentation currency of the Company, were as follows:

	2019		2018	
	Foreign exchange gains or losses	**Average rate**	**Foreign exchange gains or losses**	**Average rate**
NTD	(16,036)	-	56,935	-
USD	(1,966)	USD/NTD 30.912	2,142	USD/NTD 30.149

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

		Carrying amount	
		December 31, 2019	**December 31, 2018**
Fixed-rate instruments:			
Financial assets	$	1,426,464	3,974,958
Financial liabilities		-	(175,978)
	$	1,426,464	3,798,980
Variable-rate instruments:			
Financial assets	$	2,317,958	1,263,693
Financial liabilities		-	(73,881)
	$	2,317,958	1,189,812

(Continued)

1) Interest rate risk

The exposure to interest rate risk for financial assets and liabilities refers to the management of liquidity risk in this note.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group's management assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$5,795 and \$2,975 for the years ended December 31, 2019 and 2018, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) The categories and the fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	$ 100,937	100,937	-	-	100,937
Financial assets measured at amortized cost					
Cash and cash equivalents	3,704,146	-	-	-	-
Notes and accounts receivable, net	1,337,301	-	-	-	-
Other receivables	9,984	-	-	-	-
Other financial assets – current	39,218	-	-	-	-
Other financial assets – non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	8,230	-	-	-	-
Subtotal	5,103,879				
Total	$ 5,204,816				

(Continued)

	December 31, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 483,624	-	-	-	-
Other payables	419,388	-	-	-	-
Lease liabilities (including current and non-current portion)	127,487	-	-	-	-
Total	$ 1,030,499				

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	$ 100.394	100,394	-	-	100,394
Financial assets measured at amortized cost					
Cash and cash equivalents	5,168,430	-	-	-	-
Notes and accounts receivable, net	1,267,822	-	-	-	-
Other receivables	44,325	-	-	-	-
Other financial assets－current	70,628	-	-	-	-
Other financial assets－non-current	5,000	-	-	-	-
Refundable deposits (recorded under other non-current assets)	11,794	-	-	-	-
Subtotal	6,567,999				
Total	$ 6,668,393				
Financial liabilities measured at amortized cost					
Bank loans	$ 249,859	-	-	-	-
Notes and accounts payable	498,267	-	-	-	-
Other payables	398,708	-	-	-	-
Total	$ 1,146,834				

There were no transfers of financial instruments between any levels for the years ended December 31, 2019 and 2018.

(Continued)

2) Valuation techniques for financial instruments measured at fair value —Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices. The market prices from the main exchanges and government bond exchanges are the basis of the fair value of the listed company's equity instruments and debt instruments.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair values of the Group's financial instruments in an active market for each category and attribute were as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions traded in active liquid markets are determined with reference to the quoted market prices, including open-end mutual funds.

(u) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments：

1) Credit risk

2) Liquidity risk

3) Market risk

The following, likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group minimizes the risk exposure by purchasing derivative financial instruments. The Board of Directors regulated the transaction of derivative and non-derivative financial instruments in accordance with the Group's procedures for acquisition and disposal of assets. The internal auditors of the Group continually review the amount of the risk exposure in accordance with the Group's policy and the risk management policies and procedures. The Group has no transactions in the financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group offers standard payment term and shipment term. New customers may transact with the Group only on a prepayment basis.

In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including listed company and unlisted company. In order to avoid the excess of credit limitation of the customer, the Group constantly monitors the status of the customers. The Group will stop trading with the customer who has no credit limits, unless, the payment has been paid or approved. Furthermore, credit limits of the customers will be assessed quarterly.

The Group sets the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries. Please refer to note (13)(a)(ii) for information on guarantees and endorsements to subsidiaries as of December 31, 2019 and 2018.

(Continued)

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to notes (6)(i) and (6)(j) for unused short-term and long-term bank facilities as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily NTD and USD. The currencies used in these transactions are denominated in NTD, EUR, JPY, USD, and PHP.

2) Interest rate risk

Entities in the Group borrow funds with floating interest rates which results to risks of cash flows.

3) Other market price risk

The Group is exposed to equity price risk due to the quoted open-end fund at fair value.

(v) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group's debt-to-equity ratio at the end of the reporting date was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 2,246,065	2,014,656
Total equity	10,176,726	10,448,685
Debt-to-equity ratio	22 %	19 %

(Continued)

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which did not affect the current cash flow in the year ended December 31, 2019, were derived from the acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(g). There were no non-cash investing and financing activities in the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes: Other	Non-cash changes: Foreign exchange movement	December 31, 2019
Short-term borrowings	$ 249,859	(251,430)	-	1,571	-
Lease liabilities (including current and non-current portion)	127,756	(9,490)	9,221	-	127,487
Total liabilities from financing activities	$ 377,615	(260,920)	9,221	1,571	127,487

	January 1, 2018	Cash flows	Non-cash changes: Foreign exchange movement	December 31, 2018
Long-term borrowings	$ 627,887	(627,925)	38	-
Short-term borrowings	271,436	(29,619)	8,042	249,859
Total liabilities from financing activities	$ 899,323	(657,544)	8,080	249,859

(7) Related-party transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group.

(b) Name and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Multi-field	Other related party
Hwi-Jie, Yang	The former chairman of the Company, who was discharged on December 17, 2018

(Continued)

(c) Other transaction with related party

For operational needs, THEPI acquired land for $57,713 (91,110 thousand Philippine pesos) beginning in 2004, which was recorded as property, plant and equipment. Because the Philippine regulations prohibit foreigners from owning land, therefore, the Group paid for the land, under the title deed of Multi-field to assure the right to the land. THEPI also entered into an agreement with Multi-field to reserves its right to sell, or dispose, the property.

(d) Transactions with key management personnel

(i) Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 82,793	79,270
Post-employment benefits	2,886	10,244
	$ 85,679	89,514

(ii) Provide guarantees

Part of the Group's long-term and short-term borrowings and credit lines were guaranteed by the chairman, Hwi-Jie, Yang, as of December 31, 2018.

There were no guarantees provided by related parties as of December 31, 2019.

(8) Pledged assets

Pledged assets	Subject	December 31, 2019	December 31, 2018
Other financial assets – current – time deposits	Credit lines for letters of credit, short-term borrowings and short-term borrowings	$ 36,301	68,179
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	5,000	5,000
Property, plant and equipment – land, buildings, machinery and equipment	Long-term and short-term borrowings and credit lines	380,748	777,623
		$ 422,049	850,802

(9) Commitments and contingencies

(a) The Group's unrecognized contractual commitments were as follows:

	December 31, 2019	December 31, 2018
Future payments for the purchase of equipment and construction in progress	$ 95,522	79,131

(Continued)

(b) The Group's unused and outstanding letters of credit and the deposit for the Group's customs duties were as follows:

	December 31, 2019	December 31, 2018
Unused and outstanding letters of credit and the deposit for customs duties	$ 22,726	28,245

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

(a) On December 27, 2019, in order to expand the business scale and enhance the competitiveness of the Company, a resolution was approved by the board of directors to acquire 100% of KINGPAK Technology Inc.' s (KINGPAK) issued and outstanding shares through stock exchange, wherein KINGPAK will eventually become a wholly owned subsidiary of the Company.

The share exchange will be conducted at an exchange ratio of 1.244 ordinary share of the Company for 1 ordinary share of KINGPAK. The exchange ratio had been decided after comprehensive consideration; taking multiple factors into account, including the latest financial report reviewed by the certified public accountants, the auditing results conducted by independent experts, KINGPAK's company operation, the market value of shares, the earnings per share, and the net value per share. The Company also considered its synergy and development in the future. The Exchange was reached based on the independent professional appraisal reports from the independent experts about the exchange ratio.

The board of directors is authorized to adjust and stipulate if there are circumstances which may arise that require adjustments according to the agreement, from the signing date of the agreement until the reference date of the merger. The agreement was approved during the special meeting of the shareholders on February 14, 2020, with the tentative reference date of the merger set on June 30, 2020. After the confirmation has been submitted by the relevant authority, 72,271,565 new common shares, with a par value of $10, amounting to $722,716, will be issued.

(b) The board of directors of the Company resolved to conduct a capital reduction by cash amounting to $578,751 on March 18, 2020, which has not been approved during the annual stockholders' meeting , whereby 57,875 thousand common shares were cancelled, resulting in the capital to decrease by 24.3%.

(12) Other

A summary of employee benefits, depreciation and amortization, categorized by function, is as follows:

By function / By item	2019 Cost of sales	2019 Operating expenses	2019 Total	2018 Cost of sales	2018 Operating expenses	2018 Total
Employee benefits						
Salaries	1,158,407	302,868	1,461,275	1,149,927	303,794	1,453,721
Labor and health insurance	98,932	15,745	114,677	90,544	15,371	105,915
Pension	45,137	12,768	57,905	42,228	13,374	55,602
Other employee benefits	70,832	23,183	94,015	68,950	21,109	90,059
Depreciation	700,200	41,236	741,436	835,298	40,661	875,959
Amortization	2,390	6,032	8,422	852	3,269	4,121

(13) Other disclosure items

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

Unit: In Thousands of New Taiwan Dollars

Number (Note 1)	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral Item	Collateral Value	Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 3)
0	The Company	THEPI	Other receivables –related parties	-	300,000	-	1%	2	-	Business turnover	-	None	-	996,209	3,984,839

Note1: The companies are coded as follows:
1.0 represents the parent company.
2.1 represents the subsidiaries.

Note2: 1.Represents entities with business dealings. 2.Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note3: The total amount available for financing purposes shall not exceed 40% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note4: When funds are loaned to a company for reasons of business dealings, the total amount of loans shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed the total amount of trading between the two companies. The trading amount refers to the year preceding the date of occurrence of the amount of purchase or sale between the parties, whichever is higher. When funds are loaned to a company with short-term financial need, the total amount of loans shall not exceed 30% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account tittle	Ending balance				Highest Percentage of ownership during the year	Note
				Shares /Units	Carrying amount	Percentage of ownership (%)	Fair value		
	Open-end mutual funds:								
The Company	Paradigm Pion Money Market Fund	None	Financial assets at fair value through profit or loss-current	8,702	$ 100,937	-	100,937	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	Note 1	1,413,316	1,413,316	Ya-Syuan Huang, De-Shuei Peng	None	N/A	N/A	N/A	N/A	Valuation report	Expected for operation use, and the registration process had been completed.	None

Note 1: The board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyan City with purchase consideration of $1,413,316. Please refer to note (6)(f).

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

Name of Company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	THEPI	100% owned subsidiary by the Company	Purchase	1,108,661	33 %	monthly closing and paid by cash	-	-	(49,827)	(11)%	Note 2
〃	〃	〃	Manufacturing fee	512,466	15 %	〃	-	-	Note 1	- %	〃
THEPI	The Company	Parent Company	Sale	(1,108,661)	(66)%	monthly closing and received by cash	-	-	49,827	52 %	〃
〃	〃	〃	Manufacturing revenue	(512,466)	(31)%	〃	-	-	30,400	32 %	〃

Note 1: The other receivables (payables) amounted to $30,400 as of December 31, 2019.
Note 2: The transactions have been eliminated in the consolidated financial statements.

(Continued)

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	THEPI	The Company	2	Sale	1,108,661	The sales prices of inter company sales are not significantly different from those of the third parties. The payment term is monthly closing, and the payment is received by cash.	14.92 %
1	〃	〃	2	Manufacturing Revenue	512,466	〃	6.90 %
1	〃	〃	2	Accounts Receivable	49,827	〃	0.40 %
1	〃	〃	2	Other receivables	30,400	〃	0.24 %

Note 1: The numbers filled in as follows:
1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:
1 represents the transactions from the parent company to its subsidiaries.
2 represents the transactions between the subsidiaries and the parent company.
3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

Name of investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Highest percentage during the year of Ownership	Net income (losses) of the investee	Share of profit (losses) of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of Ownership	Carrying amount				
The Company	THEPI	Lot 15, Road 3, Carmelray Industrial Park. PEZA Canlubang, Calamba, Laguna, Philippines	Sales and manufacturing of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensors	2,016,853	2,016,853	28,793	100 %	1,257,177	100 %	(47,329)	(43,536) (Note 1)	Note 2

Note 1 : The investment income (losses) recognized is based on the financial statements audited by the independent auditor of the Company.
Note 2 : The transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None.

(Continued)

(14) Segment information

(a) General Information

The Group has three reportable segments: segment BU1, segment BU2, and segment BU3. Segment BU1 is responsible for the process of plating SF with gold. Segment BU2 is responsible for the THEPI's process. Segment BU3 is responsible for the process of CO2, non-plating SF with gold, SMT, AS, RW and CP.

The reportable segments are the Group's strategic divisions. Different technology and marketing strategies are required for three segments to offer different products and services. Therefore, the above segments are managed separately.

The Group's operating segment information and reconciliation are as follows:

	2019					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	$ 1,924,167	1,229,663	4,084,122	192,702	-	7,430,654
Inter-segment revenues	-	1,621,127	-	-	(1,621,127)	-
Total revenue	$ 1,924,167	2,850,790	4,084,122	192,702	(1,621,127)	7,430,654
Reportable segment profit(loss)	$ 214,995	14,055	585,896	96,931	30,369	942,246

	2018					
	BU1 Segment	BU2 Segment	BU3 Segment	Other Segment	Reconciliation & elimination	Total
Revenue						
Revenue from external customers	$ 2,397,265	772,641	4,072,225	171,381	-	7,413,512
Inter-segment revenues	-	1,430,314	-	-	(1,430,314)	-
Total revenue	$ 2,397,265	2,202,955	4,072,225	171,381	(1,430,314)	7,413,512
Reportable segment profit (loss)	$ 524,627	(64,001)	592,978	84,957	106,722	1,245,283

The material reconciling items of the above reportable segments were as below:

Total reportable segments' revenue after deducting the inte-rsegments revenue were $1,621,127 and $1,430,314 for 2019 and 2018, respectively.

(Continued)

(b) Product information

Revenue from the external customers of the Group was as follows:

Products	2019	2018
Metalized ceramic substrates	$ 2,618,007	3,334,998
Image sensors	2,194,731	2,197,803
RF modules	406,255	304,570
Hybrid integrated circuits	2,018,959	1,404,760
Others	192,702	171,381
Total	$ 7,430,654	7,413,512

(c) Geographic information

Information on the geographical location of customers and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

Country	2019	2018
Singapore	$ 2,015,527	2,279,163
United States	1,018,600	1,055,538
Malaysia	1,539,128	1,293,780
Hong Kong	954,184	1,055,085
China	734,066	523,690
Others	1,169,149	1,206,256
Total	$ 7,430,654	7,413,512

(ii) Non-current Assets:

Country	December 31, 2019	December 31, 2018
Taiwan	$ 5,194,260	3,545,947
Philippines	598,522	734,984
Total	$ 5,792,782	4,280,931

Non-current assets include property, plant and equipment, intangible assets, refundable deposits and other non-current assets (excluding deferred tax assets).

(d) Major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income are summarized as follows:

	2019	2018
C2650	$ 1,439,177	1,428,784
C1167	1,176,592	613,797
C0803	630,048	876,673
C0897	434,665	690,807
	$ 3,680,482	3,610,061

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Independent Auditors' Report

To the Board of Directors of Tong Hsing Electronic Industries, Ltd.:

Opinion

We have audited the parent company only financial statements of Tong Hsing Electronic Industries, Ltd. which comprise the parent company only balance sheets as of December 31, 2019 and 2018, the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tong Hsing Electronic Industries, Ltd. as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of Tong Hsing Electronic Industries, Ltd. in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

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1. **Valuation of inventories**

Please refer to Note (4)(g) and Note (5)(a) of the parent company only financial statements for inventories accounting policy, and accounting assumptions and estimation uncertainry of inventory valuation, respectively. Information regarding inventory and related expenses are shown in Note (6)(d) of the parent company only financial statements.

Explanation to key audit matter:

Due to the impact of product life cycle and industrial competition in electronics industry, the price variability for the inventory of Tong Hsing Electronic Industries, Ltd. is expected. Therefore, the inventory valuation is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing control of inventory usage and storage management; inspecting the inventory aging statement, and analyzing the change of aging for different periods; performing sampling procedures and inspecting the rationality in order to verify the correctness of inventories aging statement; performing a retrospective review of historical accuracy of inventory valuation, and reviewing the adequacy of the accounting policies.

2. **Impairment of goodwill**

Please refer to Note (4)(l) intangible assets and Note (5)(b) of the parent company only financial statements for goodwill accounting policy and accounting assumptions and estimation uncertainty of impairment of goodwill, respectively. Information regarding the impairment of goodwill are shown in Note (6)(i) of the parent company only financial statements.

Explanation to key audit matter:

The goodwill of Tong Hsing Electronic Industries, Ltd. was arose on a business combination in the past. Since the estimation of recoverable amount of goodwill is based on the forecast for the future operation of Tong Hsing Electronic Industries, Ltd., there is uncertainty in estimating the recoverable amount with discounted value of future cash flows. Therefore, the test of impairment of goodwill is one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating internal and external objective evidence of impairment identified by the management of Tong Hsing Electronic Industries, Ltd. and assessing the rationality of evaluation method used to estimate recoverable amount; evaluating the accuracy of forecast result in the past, and inspecting the calculations and the records for the recoverable amount of cash-generating units measured by management; evaluating the rationality of all the assumptions for estimating the future cash flows forecast and for calculating the recoverable amount.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

In preparing the parent company only financial statements, management is responsible for assessing Tong Hsing Electronic Industries, Ltd.'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 Tong Hsing Electronic Industries, Ltd. or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the supervisors) are responsible for overseeing Tong Hsing Electronic Industries, Ltd.'s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tong Hsing Electronic Industries, Ltd.'s internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Tong Hsing Electronic Industries, Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tong Hsing Electronic Industries, Ltd. to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Jui-Lan Lo.

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Taipei, Taiwan (Republic of China)
March 18, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,286,975	27	4,785,418	39
1110	Current financial assets at fair value through profit or loss (note 6(b))	100,937	1	100,394	1
1170	Notes and accounts receivable, net (note 6(c))	1,321,702	11	1,250,911	10
1200	Other receivables (note 7)	38,833	-	41,874	1
1310	Inventories (note 6(d))	925,992	8	970,607	8
1410	Prepayments	25,559	-	21,512	-
1470	Other current assets (note 6(s))	32,097	-	31,212	-
		5,732,095	47	7,201,928	59
	Non-current assets:				
1550	Investments accounted for using equity method (note 6(f))	1,257,177	10	1,365,145	11
1600	Property, plant and equipment (notes 6(g), 7 and 8)	4,990,787	41	3,469,211	28
1755	Right-of-use assets (note 6(h))	126,520	1	-	-
1780	Intangible assets (note 6(i))	68,940	-	65,240	1
1840	Deferred tax assets (note 6(p))	138,110	1	129,624	1
1980	Other financial assets – non-current (note 8)	5,000	-	5,000	-
1920	Refundable deposits	3,013	-	6,496	-
		6,589,547	53	5,040,716	41
	Total assets	$ 12,321,642	100	12,242,644	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ -	-	4,730	-
2130	Contract liabilities – current (note 6(s))	223,831	2	1,165	-
2170	Notes and accounts payable	421,106	4	421,112	4
2180	Accounts payable to related parties (note 7)	49,827	-	97,702	1
2200	Other payables (notes 6(l) and 7)	783,265	6	823,230	7
2230	Current tax liabilities	207,932	2	143,287	1
2280	Lease liabilities – current (note 6(m))	8,973	-	-	-
2300	Other current liabilities	48,493	-	47,131	-
		1,743,427	14	1,538,357	13
	Non-Current liabilities:				
2527	Contract liabilities – non-current (note 6(s))	77,765	-	-	-
2570	Deferred tax liabilities (note 6(p))	111,486	1	118,686	1
2580	Lease liabilities – non-current (note 6(m))	118,514	1	-	-
2640	Net defined benefit liability – non-current (note 6(o))	93,724	1	136,916	1
		401,489	3	255,602	2
	Total liabilities	2,144,916	17	1,793,959	15
	Equity (note 6(q)):				
3100	Ordinary shares	1,653,575	13	1,653,575	13
3200	Capital surplus	4,997,188	41	5,063,801	41
3310	Legal reserve	1,335,844	11	1,234,484	10
3320	Special reserve	74,592	-	105,549	1
3350	Unappropriated retained earnings	2,179,238	18	2,432,168	20
3410	Exchange differences on translation of foreign financial statements	(63,711)	-	(40,892)	-
	Total equity	10,176,726	83	10,448,685	85
	Total liabilities and equity	$ 12,321,642	100	12,242,644	100

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2019		2018	
		Amount	%	Amount	%
4000	**Sales revenue**	$ 7,492,252	102	7,421,968	101
4170	Less: sales returns and allowances	122,463	2	63,240	1
4100	**Net sales revenue** (note 6(s))	7,369,789	100	7,358,728	100
5110	**Cost of sales** (notes 6(d), 6(n), 6(o), 7 and 12)	5,958,720	81	5,716,069	78
5900	**Gross profit**	1,411,069	19	1,642,659	22
6100	Selling expenses	152,371	2	191,981	3
6200	Administrative expenses	237,630	3	237,535	3
6300	Research and development expenses	113,872	1	114,120	1
6450	Expected credit losses (gains)	(15,654)	-	12,915	-
		488,219	6	556,551	7
6900	**Net operating income**	922,850	13	1,086,108	15
	Non-operating income and expenses:				
7100	Interest income	23,645	-	29,325	1
7190	Other income	17,965	-	31,217	-
7230	Foreign exchange gains (note 6(u))	10,602	-	71,587	1
7235	Gains on current financial assets (liabilities) at fair value through profit or loss (note 6(b))	543	-	394	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(43,536)	-	12,400	-
7510	Finance cost－interest expense	(2,360)	-	(3,112)	-
7590	Miscellaneous disbursements	(3,072)	-	-	-
		3,787	-	141,811	2
7900	**Profit before tax**	926,637	13	1,227,919	17
7950	**Less: tax expenses (note 6(p))**	184,681	3	214,316	3
	Profit	741,956	10	1,013,603	14
	Other comprehensive income: (notes 6(o)) and 6(p))				
	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	35,430	-	(52,321)	(1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(27,295)	-	13,340	-
8349	Income tax on items that may not be reclassified to profit or loss	(7,086)	-	11,520	-
		1,049	-	(27,461)	(1)
	Items that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(30,313)	-	41,539	1
8399	Income tax on items that may be reclassified to profit or loss	7,494	-	(10,582)	-
		(22,819)	-	30,957	1
	Other comprehensive income	(21,770)	-	3,496	-
8500	**Comprehensive income**	**$ 720,186**	**10**	**1,017,099**	**14**
	Earnings per share (note 6(r))				
9750	Basic earnings per share	**$**	**4.49**		**6.13**
9850	Diluted earnings per share	**$**	**4.47**		**6.09**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2018	$ 1,653,575	5,233,426	1,137,095	33,700	2,427,991	3,598,786	(71,849)	10,413,938
Effects of retrospective application	-	-	-	-	9,793	9,793	-	9,793
Balance on Jannary 1, 2018 after adjustments	1,653,575	5,233,426	1,137,095	33,700	2,437,784	3,608,579	(71,849)	10,423,731
Net income for the year ended December 31, 2018	-	-	-	-	1,013,603	1,013,603	-	1,013,603
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(27,461)	(27,461)	30,957	3,496
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	986,142	986,142	30,957	1,017,099
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	97,389	-	(97,389)	-	-	-
Special reserve appropriated	-	-	-	71,849	(71,849)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(822,520)	(822,520)	-	(822,520)
Cash dividends from capital surplus	-	(169,625)	-	-	-	-	-	(169,625)
Balance on December 31, 2018	1,653,575	5,063,801	1,234,484	105,549	2,432,168	3,772,201	(40,892)	10,448,685
Net income for the year ended December 31, 2019	-	-	-	-	741,956	741,956	-	741,956
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	1,049	1,049	(22,819)	(21,770)
Total comprehensive income for the year ended December 31,2019	-	-	-	-	743,005	743,005	(22,819)	720,186
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	101,360	-	(101,360)	-	-	-
Special reserve appropriated	-	-	-	(30,957)	30,957	-	-	-
Cash dividends of ordinary share	-	-	-	-	(925,532)	(925,532)	-	(925,532)
Cash dividends from capital surplus	-	(66,613)	-	-	-	-	-	(66,613)
Balance on December 31, 2019	**$ 1,653,575**	**4,997,188**	**1,335,844**	**74,592**	**2,179,238**	**3,589,674**	**(63,711)**	**10,176,726**

See accompanying notes to parent company only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 926,637	1,227,919
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	600,066	706,426
Amortization expense	8,422	4,121
Expected credit losses (gains)	(15,654)	12,915
Net gain on financial assets or liabilities at fair value through profit or loss	(543)	(394)
Interest expense	2,360	3,112
Interest income	(23,645)	(29,325)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	43,536	(12,400)
Loss (gain) on disposal of property, plant and equipment	3,072	(16,584)
Other	(94)	213
Total adjustments to reconcile profit (loss)	617,520	668,084
Changes in operating assets and liabilities:		
Increase in current financial assets at fair value through profit or loss	-	(100,000)
(Increase) decrease in contract assets	111	(2,057)
(Increase) decrease in notes and accounts receivable	(55,137)	65,837
(Increase) decrease in other receivables	2,197	(5,546)
(Increase) decrease in inventories	44,615	(241,068)
(Increase) decrease prepayments	(4,047)	3,555
Increase in other current assets	(996)	(652)
Increase (decrease) in notes and accounts payable	(47,881)	32,985
Increase (decrease) in other payables	(63,823)	13,327
Increase in other current liabilities	1,362	3,451
Increase (decrease) in contract liabilities-current and non-current	300,431	(139)
Decrease in net defined benefit liabilities	(7,762)	(16,328)
	169,070	(246,635)
Cash inflow generated from operations	1,713,227	1,649,368
Interest received	24,489	28,455
Interest paid	(2,360)	(3,968)
Income taxes paid	(128,490)	(191,967)
Net cash flows from operating activities	1,606,866	1,481,888
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(2,095,901)	(567,590)
Proceeds from disposal of property, plant and equipment	4,510	35,795
Decrease in refundable deposits	3,483	4,044
Acquisition of intangible assets	(11,036)	(13,212)
Net cash flows used in investing activities	(2,098,944)	(540,963)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(4,730)	4,730
Repayments of long-term borrowings	-	(625,000)
Payments of lease liabilities	(9,490)	-
Cash dividends paid	(992,145)	(992,145)
Net cash flows used in financing activities	(1,006,365)	(1,612,415)
Net decrease in cash and cash equivalents	(1,498,443)	(671,490)
Cash and cash equivalents at beginning of period	4,785,418	5,456,908
Cash and cash equivalents at end of period	$ 3,286,975	4,785,418

See accompanying notes to parent company only financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Tong Hsing Electronic Industries, Ltd. ("the Company") was incorporated as a company limited by shares in August 11, 1974 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 6F, No.83, Yanping S. Rd., Zhongzheng Dist., Taipei City. The Company is primarily involved in the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensors.

(2) Approval date and procedures of the financial statements

The parent company only financial statements were authorized for issue by the board of directors on March 18, 2020.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

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

The Company applied IFRS 16 using the modified retrospective approach, and there was no effect on retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(Continued)

1) Definition of a lease

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

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

The Company decided to apply recognition exemptions to short-term leases of vehicles.

Leases were classified as operating leases under IAS 17, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $127,756 of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.80%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's parent company only financial statements	$ 37,185
Recognition exemption for:	
short-term leases	(3,987)
Extension and termination options reasonably certain to be exercised	131,123
	$ 164,321
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	**$ 127,756**

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

The Company believes that initial application of the new standard on January 1, 2019 has no impact on the deferred tax liabilities and retained earnings.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its parent company only financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit liabilities are measured at less, fair value of plan assets less the present value of the defined benefit obligation limited as explained in please note (4)(o).

(Continued)

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

When the settlement of a monetary receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign exchange currency gains and losses arising form such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, refundable deposits and other financial assets), and contract assets.

(Continued)

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

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial assets.

(Continued)

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that financial assets is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 90 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(Continued)

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

(i) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures: 2 ~ 50 years
2) Machinery and equipment: 2 ~10 years
3) Office equipment: 2 ~10 years
4) Building and equipment constitute mainly building, air conditioning equipment, and elevator engineering equipment and its related facilities. Each part depreciates based on its useful life.

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

(k) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(Continued)

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

   - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

   - the relevant decisions about how and for what purpose the asset is used are predetermined and:

     — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

     — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and the lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets, including copying machines. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Computer software	3 years
2)	Patents	5 years
3)	Customer relationship	7 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

Revenue from contracts with customers

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

(i) Sale of goods

The Company manufactures and sells electronic components to electronic manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. For certain image sensors product contracts, the customer controls all of the work in progress as the products are being manufactured. In such case, revenue will be recognized as the products are being manufactured.

The Company often offers trade discounts to its customers. Revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of discount, revenue is expected to be recognized earlier than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset recognized as right to recover products from customers will be recognized for these contracts and presented separately in the statement of financial position.

No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 90 days, which is consistent with the market practice.

(ii) Financing components

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

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

(Continued)

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segments information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. Due to the impact of product life cycle and industrial competition in electronic industry, which tends to devalue the inventories, the Company evaluates the costs of inventories using the net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to note (6)(d) of the parent company only financial statement for inventory valuation.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgment to identify cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units. Please refer to note (6)(i) for further description of the impairment of goodwill.

(Continued)

(6) Explanation of significant accounts

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Petty cash and foreign currency on hand	$	300	300
Checking accounts and demand deposits		1,986,675	1,195,118
Time deposits		1,300,000	3,590,000
	$	**3,286,975**	**4,785,418**

Refer to note (6)(u) for the exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Open-end mutual founds	$	**100,937**	**100,394**

(c) Notes and accounts receivable

		December 31, 2019	December 31, 2018
Accounts receivable—measured at amortized cost	$	1,382,748	1,327,611
Less: allowance for impairment		(61,046)	(76,700)
	$	**1,321,702**	**1,250,911**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics of the customer's ability to pay all due amounts in accordance with contract terms, as well as incorporated forward looking information, including overall economic environment and related industrial information. The loss allowance provision was determined as follows:

(i) Credit rate A

Aging interval	December 31, 2019 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 74,852	-	-
31 to 60 days	44,397	0.50%	222
61 to 90 days	11,672	1.50%	175
91 to 120 days	1,310	5.00%	65
121 to 180 days	6,506	10.00%	651
181 to 360 days	134	50.00%	67
	$ 138,871		1,180

Aging interval	December 31, 2018 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 59,189	-	-
31 to 60 days	85,325	0.50%	427
61 to 90 days	15,381	1.50%	231
91 to 120 days	816	5.00%	41
121 to 180 days	3,566	10.00%	356
181 to 360 days	8	50.00%	4
	$ 164,285		1,059

(ii) Credit rate B

Aging interval	December 31, 2019 Carrying amount of notes and accounts receivable	Weighted-average expected loss rate	Loss allowance provision
1 to 30 days	$ 584,887	1.50%	8,867
31 to 60 days	458,622	5.00%	22,931
61 to 90 days	128,839	10.00%	12,884
91 to 120 days	70,042	20.00%	14,008
121 to 180 days	623	50.00%	312
181 to 360 days	855	100.00%	855
More than 361 days	9	100.00%	9
	$ 1,243,877		59,866

(Continued)

	December 31, 2018		
Aging interval	**Carrying amount of notes and accounts receivable**	**Weighted-average expected loss rate**	**Loss allowance provision**
1 to 30 days	$ 484,005	1.50%	7,403
31 to 60 days	432,581	5.00%	21,629
61 to 90 days	159,656	10.00%	15,965
91 to 120 days	64,018	20.00%	12,803
121 to 180 days	10,451	50.00%	5,226
181 to 360 days	12,615	100.00%	12,615
	$ 1,163,326		75,641

The movement in the allowance for notes and account receivable was as follows:

	2019	2018
Balance on January 1, 2019 and 2018	$ 76,700	63,871
Impairment loss recognized (reversed)	(15,654)	12,915
Amounts written off	-	(86)
Balance on Decemberb 31,2019 and 2018	$ 61,046	76,700

As of the reporting date, the Company did not provide any notes and accounts receivable as collateral for its loans.

(d) Inventories

	December 31, 2019	December 31, 2018
Finished goods	$ 152,808	138,361
Semi-finished goods	162,423	214,072
Work in progress	143,563	138,274
Raw materials	347,927	364,368
Indirect materials	119,271	115,532
	$ 925,992	970,607

(i) The details of costs of sales for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost of sales and expense	$ 5,915,904	5,683,217
Cost for write-downs on inventory valuation and obsolescence	42,816	32,852
	$ 5,958,720	5,716,069

(ii) As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(e) Non-current assets held for sale (recorded under other current assets)

In November 2017, the Company signed a contract with KNC Co., Ltd. to sell a unit of factory. Therefore, the property was recorded under non-current assets held for sale on December 31, 2017. In January 2018, the legal procedures of the transaction has been completed and all payments has been received.

(f) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries	$ 1,257,177	1,365,145

(i) Please refer to the consolidated financial statement for the year ended December 31, 2019.

(ii) As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using equity method as collaterals for its loans.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

	Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
Cost or deemed cost:						
Balance on January 1, 2019	$ 356,005	2,066,365	2,582,792	133,279	109,662	5,248,103
Additions	1,439,544	74,144	478,902	31,639	95,530	2,119,759
Transferred in (out)	-	6,372	84,593	1,448	(93,499)	(1,086)
Disposals	(2,401)	(21,167)	(800,798)	(9,578)	-	(833,944)
Balance on December 31, 2019	$ 1,793,148	2,125,714	2,345,489	156,788	111,693	6,532,832
Balance on January 1, 2018	$ 344,357	2,018,765	3,344,951	150,495	104,680	5,963,248
Additions	11,648	39,263	413,483	13,731	95,973	574,098
Transferred in (out)	-	13,638	77,140	-	(90,991)	(213)
Disposals	-	(5,301)	(1,252,782)	(30,947)	-	(1,289,030)
Balance on December 31, 2018	$ 356,005	2,066,365	2,582,792	133,279	109,662	5,248,103
Depreciation and impairment loss:						
Balance on January 1, 2019	$ -	300,399	1,411,505	66,988	-	1,778,892
Depreciation for the year	-	111,640	443,502	34,373	-	589,515
Disposals	-	(21,167)	(795,617)	(9,578)	-	(826,362)
Balance on December 31, 2019	$ -	390,872	1,059,390	91,783	-	1,542,045
Balance on January 1, 2018	$ -	198,766	2,093,044	63,051	-	2,354,861
Depreciation for the year	-	106,934	564,608	34,884	-	706,426
Disposals	-	(5,301)	(1,246,147)	(30,947)	-	(1,282,395)
Balance on December 31, 2018	$ -	300,399	1,411,505	66,988	-	1,778,892

(Continued)

		Land	Buildings and structures	Machinery and equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
Book value:							
Balance on December 31, 2019	$	1,793,148	1,734,842	1,286,099	65,005	111,693	4,990,787
Balance on January 1, 2018	$	344,357	1,819,999	1,251,907	87,444	104,680	3,608,387
Balance on December 31, 2018	$	356,005	1,765,966	1,171,287	66,291	109,662	3,469,211

Considering the Company's future growth and production, the board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyuan City with a purchase consideration of $1,413,316. The above payments had been fully paid and the legal procedures of transaction had been completed.

As of December 31, 2019 and 2018, the Company had provided property, plant and equipment as collateral for its loans. Please refer to note (8) for details.

(h) Right-of-use assets

The Company leases many assets including land, staff dormitories and office equipment. Information about leases for which the Company as a lessee is presented below:

		Land	Buildings and structures	Office equipment	Total
Cost:					
Balance on January 1, 2019	$	-	-	-	-
Effects of retrospective application		97,756	18,004	11,996	127,756
Balance on January 1, 2019 after adjustments		97,756	18,004	11,996	127,756
Additions		-	10,796	14,901	25,697
Reductions		-	(11,977)	(6,948)	(18,925)
Balance on December 31, 2019	$	97,756	16,823	19,949	134,528
Depreciation and impairment loss:					
Balance on January 1, 2019	$	-	-	-	-
Effects of retrospective application		-	-	-	-
Balance on January 1, 2019 after adjustments		-	-	-	-
Depreciation for the year		2,715	5,480	2,356	10,551
Reduction		-	(1,795)	(748)	(2,543)
Balance on December 31, 2019	$	2,715	3,685	1,608	8,008
Carrying amount:					
Balance on December 31, 2019	$	95,041	13,138	18,341	126,520

The Company leases offices space and vehicles under an operating lease for the year ended December 31, 2018, please refer to note 6(n).

(i) Intangible Assets

(i) Goodwill from a business combination

The Company merged with Impac Technology Co., Ltd. in 2009 in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 25 "Business Combinations", and the cost of acquisition was allocated to the fair value of the assets acquired and the liabilities assumed within one year of acquisition date. The cost of investment exceeds the fair value of identifiable net assets is recognized as goodwill.

The aforementioned acquisition price was assessed by the independent experts, and the allocations of the cost of acquisition were as follows:

Acquisition price	$ 209,880
Less: the fair value of identifiable net assets	
Net working capital	26,809
Fixed assets	56,382
Net other assets	11,510
Intangible assets	63,243
Total	157,944
Goodwill	$ **51,936**

The goodwill both amounted to $51,936 as of December 31, 2019 and 2018.

(ii) The cost and amortization of intangible assets of the Company were as follows:

	Goodwill	Patents	Cost of computer software	Customer relationship	Total
Cost:					
Balance on January 1, 2019	$ 51,936	25,462	17,640	41,776	136,814
Additions	-	-	11,036	-	11,036
Transferred in (out)	-	-	1,086	-	1,086
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	$ **51,936**	**25,462**	**29,242**	**41,776**	**148,416**
Balance on January 1, 2018	$ 51,936	25,462	7,427	41,776	126,601
Additions	-	-	13,212	-	13,212
Disposals	-	-	(2,999)	-	(2,999)
Balance on December 31, 2018	$ **51,936**	**25,462**	**17,640**	**41,776**	**136,814**

(Continued)

	Goodwill	Patents	Cost of computer software	Customer relationship	Total
Amortization:					
Balance on January 1, 2019	$ -	25,462	4,336	41,776	71,574
Amortization for the year	-	-	8,422	-	8,422
Disposals	-	-	(520)	-	(520)
Balance on December 31, 2019	$ -	25,462	12,238	41,776	79,476
Balance on January 1, 2018	$ -	25,462	3,214	41,776	70,452
Amortization for the year	-	-	4,121	-	4,121
Disposals	-	-	(2,999)	-	(2,999)
Balance on December 31, 2018	$ -	25,462	4,336	41,776	71,574
Book value:					
Balance on December 31, 2019	$ 51,936	-	17,004	-	68,940
Balance on January 1, 2018	$ 51,936	-	4,213	-	56,149
Balance on December 31, 2018	$ 51,936	-	13,304	-	65,240

(iii) Amortization recognized

As of December 31, 2019 and 2018, the amortization expenses of intangible assets in the statement of comprehensive income were as follows:

	2019	2018
Operating costs	$ 2,390	852
Operating expenses	$ 6,032	3,269

(iv) Test of goodwill impairment

For the purpose of impairment test, goodwill was mainly allocated to the cash-generating units －BU3.

The recoverable amount of cash-generating unit－ BU3 is determined based on the value in use, which was calculated based on the cash flow forecast from the financial budgets covering the future one-year period, and the Company used the annual discount rates of 9.57% and of 14.54%, respectively, in its impairment test for the years ended December 31, 2019 and 2018. The estimation of discount rate was based on the weighted-average capital cost.

Based on the result of impairment test, the recoverable amounts determined by the value in use were both higher than the carrying amounts as of December 31, 2019 and 2018. Therefore, the Company did not recognize any impairment loss on goodwill.

(v) Collateral

As of December 31, 2019 and 2018, the Company did not provide intangible assets as collateral for its loans.

(j) Short-term borrowings

Details of short-term borrowings were as follows:

	December 31, 2019	December 31, 2018
Credit loans	$ -	4,730
Unused short-term credit lines	$ 1,377,054	1,003,195
Range of interest rates	-	0.55%

(i) As of December 31, 2018, part of the Company's short-term borrowings and the credit lines were guaranteed by the key management personnel. Please refer to note (7).

(ii) Please refer to note (8) for the information about the Company providing assets as collateral for part of its borrowings and credit lines.

(k) Long-term borrowings

	December 31, 2019	December 31, 2018
Secured loans	$ -	-
Unused long-term credit lines	$ 1,565,000	65,000

(i) Collateral for loans

1) As of December 31, 2018, part of the Company's long-term borrowings and the credit lines were guaranteed by the key management personnel. Please refer to note (7).

2) Please refer to note (8) for the information about the Company providing assets as collateral for part of its long-term borrowings.

(ii) Compliance with loans contract

The Company signed a five-year syndicated loan agreement with E.Sun Bank and seven other financial institutions in April 2013. The total credit line amounted to $2,000,000. Based on the syndicated loan contract, the current ratio (current assets/current liabilities) of the Company should be maintained at 100% or more, the debt ratio (liabilities/tangible net worth) should be 100% or less, and the tangible net worth (net worth – intangible assets) should be maintained at NT$6 billion or more. The ratios and the standards mentioned above should be audited at least annually, with the consolidated financial statements audited by a CPA approved by the bank. Once the relevant terms are violated, the borrower shall improve within nine months, and if the financial ratios reviewed by the CPA meet the requirements after adjustment, it is not deemed a breach. During the period of improvement, the unused credit line will be suspended until the required ratios are met. The borrower shall pay the amount of outstanding principal with an extra annual interest rate of 0.125% from the default date to the date the improvement is completed, and then the syndicate banks may take recovery action. The Company was in compliance with the requirements of the loan contract during the contract period.

(Continued)

(iii) Repayment of loan contract

The Company signed a five-year syndicated loan agreement with E.Sun Bank and seven other financial institutions in April 2013. Based on the contract, the first repayment of the used outstanding principal balance shall be made 24 full months after the first date of use. After the first repayment, the repayment shall be made every 6 months, and there are 7 repayments to be made. 10% of the principal shall be repaid in each of the first to the sixth repayments, and the last 40% of the principal shall be repaid in the seventh repayment. In any case, the outstanding principal balance and the interest shall be fully repaid within the credit period. The above borrowing had been repaid in March 2018.

(l) Other payables

Details of other payables were as follows:

	December 31, 2019	December 31, 2018
Salaries, employees' compensation and directors' and supervisors' remuneration	$ 316,943	332,280
Payable on manufacturing	30,400	92,662
Payable on machinery and equipment	92,253	68,395
Accrued employee benefit liabilities	42,278	41,123
Accrued expenses	301,391	288,770
	$ 783,265	823,230

The accrued expenses included professional service fees, commission, labor insurance and health insurance, etc.

(m) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2019
Current	$ 8,973
Non-current	$ 118,514

For the maturity analysis, please refer to note (6)(u).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 2,347
Variable lease payments not included in the measurement of lease liabilities	$ 109,740
Expenses relating to short-term leases	$ 3,609
Expense relating to leases of low-value assets, excluding short-term leases of low-value leases	$ 19

(Continued)

The amount recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	$ 125,205

(i) Real estate leases

The Company leases land, buildings and structures for its factory and staffs' dormitories. The leases typically run for a period of one to twenty years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases office equipment, with lease terms of three to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for rent payments that are based on actual usage in the period.

The Company also leases vehicles and copying machines, with lease terms of one to three years. These leases are short-term and leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease

(i) Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	$ 13,229
Between two and five years	23,956
	$ 37,185

The Company leased office space and vehicles under operating leases with lease terms of one to five years and had an option to renew the leases. Lease payments are adjusted periodically to reflect market rentals.

(ii) For the year ended December 31, 2018, expense recognized in profit or loss under operating leases amounted to $89,218.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligation at present value and plan assets at fair value of the Company were as follows:

		December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$	(364,031)	(452,999)
Fair value of plan assets		270,307	316,083
Net defined benefit liabilities	$	**(93,724)**	**(136,916)**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates its pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $270,307 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

		2019	2018
Defined benefit obligation on January 1	$	(452,999)	(418,639)
Current service costs and interest		(10,286)	(10,520)
Benefit paid by the plan		69,817	32,877
Re-measurement of the net defined benefit liability			
-Return on plan assets (excluding current interest income)		1,770	(14,077)
-Actuarial gains (losses) arose from changes in financial assumptions		27,667	(42,640)
Defined benefit obligation on December 31	$	**(364,031)**	**(452,999)**

(Continued)

3) Movements of the defined benefit plan assests

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2019	2018
Fair value of plan assets on January 1	$	316,083	317,716
Interest income		4,129	4,932
Benefits paid by the plan		(69,817)	(32,877)
Re-measurements of the net defined benefit asset			
-Return on plan assets (excluding current interest income)		5,993	4,396
Contributions paid by the employer		13,919	21,916
Fair value of plan assets on December 31	$	**270,307**	**316,083**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2019	2018
Service cost	$	4,426	4,130
Net interest on the net defined benefit liabilities		1,731	1,458
	$	**6,157**	**5,588**
Cost of sales	$	3,444	2,132
Selling expense		189	109
Administrative expense		2,350	3,221
Research and development expense		174	126
	$	**6,157**	**5,588**

5) Re-measurement of the net defined benefit liabilities recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Accumulated amount on January 1	$	131,979	79,658
Recognized during the period		(35,430)	52,321
Accumulated amount on December 31	$	**96,549**	**131,979**

(Continued)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.125 %	1.375 %
Future salary increasing rate	2.800 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is $11,502.

The weighted-average lifetime of the defined benefit plan is 16.85 year.

7) Sensitivity analysis

As of December 31, 2019 and 2018, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
Actuarial assumption	**Increased 0.25%**	**Decreased 0.25%**
December 31, 2019		
Discount rate	$ (12,665)	13,271
Future salary increasing rate	12,839	(12,331)
December 31, 2018		
Discount rate	$ (14,845)	15,555
Future salary increasing rate	15,059	(14,465)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

(Continued)

The pension costs under the defined contribution method amounted to $44,131 and $41,343 for the years ended December 31, 2019 and 2018, respectively.

(p) Income Taxes

(i) Income tax expenses

1) The components of income tax expense in the years 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Current period	$	195,477	158,917
Adjustment for prior periods		(2,342)	-
		193,135	158,917
Deferred tax expense			
Origination and reversal of temporary differences		(8,454)	78,536
Adjustment in tax rate		-	(23,137)
		(8,454)	55,399
Income tax expense	$	**184,681**	**214,316**

2) The amounts of income tax expense (benefit) recognized in other comprehensive income for 2019 and 2018 were as follows:

		2019	2018
Items that may not be reclassified to profit or loss:			
Re-measurement of the defined benefit plans	$	7,086	(11,520)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income		(6,824)	3,335
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements		(7,494)	10,582
	$	**(7,232)**	**2,397**

(Continued)

3) Reconciliation of income tax and profit before tax for 2019 and 2018 were as follows:

	2019	2018
Profit before income tax	$ 926,637	1,227,919
Income tax using the Company's domestic tax rate	185,327	245,584
Tax-exempt income	(109)	(4,088)
Under (over) provision in prior periods	(2,342)	-
Adjustment in tax rate	-	(23,137)
Others	1,805	(4,043)
	$ 184,681	**214,316**

(ii) Deferred tax assets and liabilities

The Company has no unrecognized deferred tax assets and liabilities. Changes in the amount of recognized deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Provision for the land value increment tax	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2019	$ 80,950	37,736	118,686
Recognized in profit or loss	-	(2,576)	(2,576)
Recognized in other comprehensive income	-	(4,624)	(4,624)
Balance on December 31, 2019	**$ 80,950**	**30,536**	**111,486**
Balance on January 1, 2018 (including adjustments on initial application of new standards)	$ 80,950	24,268	105,218
Recognized in profit or loss	-	10,133	10,133
Recognized in other comprehensive income	-	3,335	3,335
Balance on December 31, 2018	**$ 80,950**	**37,736**	**118,686**

	Foreign currency translation adjustment	Defined benefit plans	Loss in investments for using equity method	Others	Total
Deferred tax assets:					
Balance on January 1, 2019	$ 2,006	38,666	56,319	32,633	129,624
Recognized in profit or loss	-	(1,553)	7,276	155	5,878
Recognized in other comprehensive income	7,494	(7,086)	-	2,200	2,608
Balance on December 31, 2019	**$ 9,500**	**30,027**	**63,595**	**34,988**	**138,110**
Balance on January 1, 2018	$ 12,588	25,631	111,302	24,431	173,952
Recognized in profit or loss	-	1,515	(54,983)	8,202	(45,266)
Recognized in other comprehensive income	(10,582)	11,520	-	-	938
Balance on December 31, 2018	**$ 2,006**	**38,666**	**56,319**	**32,633**	**129,624**

(Continued)

(iii) Examination and approval

The ROC tax authorities have examined the Company's income tax returns through 2015.

(q) Capital and other equity

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 200,000 thousand shares, with par value of $10 per share. The total value of authorized ordinary shares amounted to $2,000,000, of which $100,000 were reserved for the issuance of employee stock options. As of that date, 165,357 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Capital surplus－additional paid-in capital	$ 4,940,969	5,007,582
Other	56,219	56,219
	$ 4,997,188	5,063,801

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Cash dividends from capital surplus amounting to $66,613 representing $0.40284293 per share and $169,625, representing $1.02581032 per share, respectively, were approved during the annual meeting of the shareholders held on June 21, 2019 and June 15, 2018, respectively.

(ii) Retained earnings

In accordance with the Company's articles of incorporation, the Company's net earnings shall first defray tax due, and offset the prior years' deficit. Of the remaining balance, 10% is to be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital, and an amount equal to a net debit balance of stockholders' equity is appropriated as a special reserve. The remaining balance and the accumulated unappropriated earnings of prior years, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors, and be distributed as dividends to stockholders after the approval of the annual stockholders' meeting. Based on the policy on stock dividends and in accordance with such factors as the development plan, investment environment, capital requirements, competitive environment, and benefits to stockholders, the cash dividends shall not be less than 30% of the total amount of dividends. After considering the actual profit and capital situation, the amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting.

(Continued)

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Report Standards", the Company shall reclassified its unrealized revaluation gains amounting to $161,156 as retained earnings. According to the Ruling No. 1010012865 issued by FSC on April 6, 2012, the company is able to reclassified its net increasing retained earnings as special earnings reserve which resulted from the first-time adoption of the IFRS after the adoption date. When the relevant asset were used, disposed of, reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve both amounted to $33,700 on December 31, 2019 and 2018.

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

(i) Earnings distribution

Earnings distribution for 2018 and 2017 were approved via the annual meeting of shareholders held on June 21, 2019 and June 15, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ 5.59715707	925,532	4.97418968	822,520

The related information about earnings distribution can be accessed from the Market Observation Post System website.

(Continued)

(r) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2019 and 2018 were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2019	2018
Profit attributable to ordinary shareholders of the Company	$ 741,956	1,013,603

2) Weighted-average number of ordinary shares (thousands)

	2019	2018
Weighted-average number of ordinary shares	165,357	165,357

3) Basic earnings per share (NTD)

	2019	2018
Basic earnings per share	$ 4.49	6.13

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2019 and 2018 were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2019	2018
Profit attributable to ordinary shareholders of the Company (diluted)	$ 741,956	1,013,603

2) Weighted-average number of ordinary shares (diluted) (thousands)

	2019	2018
Weighted-average number of ordinary shares (basic) (thousands)	165,357	165,357
Effect of employee remuneration (thousands)	592	959
Weighted-average number of ordinary shares (diluted) on December 31	165,949	166,316

(Continued)

3) Diluted earnings per share (NTD)

	2019	2018
Diluted earnings per share	$ 4.47	6.09

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019				
	BU1	**BU2**	**BU3**	**Others**	**Total**
Primary geographical markets:					
Singapore	$ 291,125	15,291	1,672,932	36,179	2,015,527
Malaysia	660,593	786,269	90,293	1,973	1,539,128
United States	157,134	104,715	707,686	49,065	1,018,600
Hong Kong	127,453	1,180	823,832	1,719	954,184
China	391,871	142,413	198,527	1,255	734,066
Others	295,990	179,795	590,853	41,646	1,108,284
	$ 1,924,166	**1,229,663**	**4,084,123**	**131,837**	**7,369,789**
Major products/services lines:					
Metalized ceramic substrates	$ 1,923,764	-	694,243	-	2,618,007
Image sensors	-	109,547	2,085,184	-	2,194,731
Hybrid integrated circuits	246	1,057,964	960,749	-	2,018,959
RF modules	156	62,152	343,947	-	406,255
Others	-	-	-	131,837	131,837
	$ 1,924,166	**1,229,663**	**4,084,123**	**131,837**	**7,369,789**

(Continued)

	2018				
	BU1	**BU2**	**BU3**	**Others**	**Total**
Primary geographical markets:					
Singapore	$ 488,218	18,058	1,757,833	15,054	2,279,163
Malaysia	821,553	409,968	62,058	201	1,293,780
United States	300,192	178,528	516,339	60,479	1,055,538
Hong Kong	115,130	1,755	937,181	1,019	1,055,085
China	347,805	5,081	168,852	1,952	523,690
Others	324,367	159,251	629,962	37,892	1,151,472
	$ 2,397,265	772,641	4,072,225	116,597	7,358,728
Major products/services lines:					
Metalized ceramic substrates	$ 2,396,821	-	938,177	-	3,334,998
Image sensors	-	142,280	2,055,523	-	2,197,803
Hybrid integrated circuits	444	514,854	889,462	-	1,404,760
RF modules	-	115,507	189,063	-	304,570
Others	-	-	-	116,597	116,597
	$ 2,397,265	772,641	4,072,225	116,597	7,358,728

(ii) Contract balances

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Notes receivable	$ -	-	1,784
Accounts receivable	1,382,748	1,327,611	1,391,750
Contract assets — image sensors product (recorded under other current assets)	29,905	30,016	27,959
Less: allowance for impairment	(61,046)	(76,700)	(63,871)
Total	$ 1,351,607	1,280,927	1,357,622

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Contract liabilities - advance sales receipts (including current and non-current portion)	$ 301,596	1,165	1,304

For details on accounts receivable and allowance for impairment, please refer to note (6) (c).

(Continued)

The amounts of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liabilities balance at the beginning of the period were $0 and $142, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Employee compensation and directors' and supervisors' remuneration

Based on the Company's articles of incorporation, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' and supervisors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors and supervisors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

Based on the Company's articles of incorporation which were approved during the annual meeting of shareholders held on June 21, 2019, once the Company has an annual profit, it should appropriate 5% or more of the profit to its employees and 2% or less as directors' remuneration. The Company should offset the prior years' accumulated deficit before any appropriation of profit then appropriate employee compensation and remuneration of directors at the above rate. Employee compensation shall be paid in cash or stock, and the remuneration of directors and supervisors shall be paid in cash.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $66,728 and $88,970, and directors' and supervisors' remuneration amounting to $18,938 and $7,600, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as determined by the management. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. The differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the following year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of the board of directors.

The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions in 2019 and 2018. Related information would be available on the Market Observation Post System Website.

(u) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) The concentration of credit risk

The Company caters to a wide variety of customers and has a diverse market distribution, therefore, the Company does not have a significant credit risk concentration. In order to reduce the credit risk, the Company monitors the financial conditions of customers regularly. However, the Company usually does not require customers to provide any collateral.

3) Receivables credit risk

For credit risk exposure of notes and trade receivables, please refer to note (6)(c). Other financial assets at amortized cost, including other receivables, are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f).

There were no changes on the allowance for impairment of other receivables for the years ended December 31, 2019 and 2018.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying Amount	Contractual cash flows	Within a year	Over a year
December 31, 2019				
Non-derivative financial liabilities:				
Notes and accounts payable	$ 421,106	(421,106)	(421,106)	-
Accounts payable to related parties	49,827	(49,827)	(49,827)	-
Other payables	424,044	(424,044)	(424,044)	-
Lease liabilities (including current and non-current portion)	127,487	(162,651)	(11,194)	(151,457)
	$ **1,022,464**	**(1,057,628)**	**(906,171)**	**(151,457)**

(Continued)

		Carrying Amount	Contractual cash flows	Within a year	Over a year
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$	4,730	(4,730)	(4,730)	-
Notes and accounts payable		421,112	(421,112)	(421,112)	-
Accounts payable to related parties		97,702	(97,702)	(97,702)	-
Other payables		449,827	(449,827)	(449,827)	-
	$	973,371	(973,371)	(973,371)	-

The Company does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposures to foreign currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

		December 31, 2019			December 31, 2018		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	75,796	USD/NTD =29.98	2,272,364	53,453	USD/NTD =30.715	1,641,809
Financial liabilities							
Monetary items							
USD		11,967	USD/NTD =29.98	358,771	13,667	USD/NTD =30.715	419,782
JPY		457,295	JPY/NTD =0.2760	126,213	605,212	JPY/NTD =0.2782	168,370

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, loans and borrowings, notes and accounts payable and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of the NTD against USD and JPY on December 31, 2019 and 2018 would have increased or decreased the net profit after tax as follows:

		2019	2018
USD (against the NTD)			
Strengthening 5%	$	95,680	61,101
Weakening 5%		(95,680)	(61,101)
JPY (against the NTD)			
Strengthening 5%		(6,311)	(8,419)
Weakening 5%		6,311	8,419

(Continued)

(iv) Foreign exchange gains or losses on monetary items

As the Company deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2019 and 2018, the foreign exchange gains (losses), including both realized and unrealized, amounted to $10,602 and $71,587, respectively.

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2019	**December 31, 2018**
Fixed-rate instruments:		
Financial assets	$ 1,305,000	3,595,000
Variable-rate instruments:		
Financial assets	$ 1,983,135	1,190,094
Financial liabilities	-	(4,730)
	$ 1,983,135	1,185,364

The exposure to interest rate risk for financial assets and liabilities refers to the management of liquidity risk in this note.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company's management assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by $4,958 and $2,963 for the years ended December 31, 2019 and 2018, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) The categories and the fair values of financial instruments

(Continued)

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

	December 31, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Open-end mutual funds	$ 100,937	100,937	-	-	100,937
Financial assets measured at amortized cost					
Cash and cash equivalents	3,286,975	-	-	-	-
Notes and accounts receivable, net	1,321,702	-	-	-	-
Other receivables	8,944	-	-	-	-
Other financial assets — non-current	5,000	-	-	-	-
Refundable deposits	3,013	-	-	-	-
Subtotal	4,625,634				
Total	$ 4,726,571				
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 421,106	-	-	-	-
Accounts payables to related parties	49,827	-	-	-	-
Other payables	424,044	-	-	-	-
Lease liabilities (including current and non-current portion)	127,487	-	-	-	-
Total	$ 1,022,464				

(Continued)

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at value through profit or loss					
Open-end mutual funds	$ 100,394	100,394	-	-	100,394
Financial assets measured at amortized cost					
Cash and cash equivalents	4,785,418	-	-	-	-
Notes and accounts receivable, net	1,250,911	-	-	-	-
Other receivables	41,874	-	-	-	-
Other financial assets — non-current	5,000	-	-	-	-
Refundable deposits	6,496	-	-	-	-
Subtotal	6,089,699				
Total	**$ 6,190,093**				
Financial liabilities measured at amortized cost					
Bank loans	$ 4,730	-	-	-	-
Notes and accounts payable	421,112	-	-	-	-
Accounts payable to related parties	97,702	-	-	-	-
Other payables	449,827	-	-	-	-
Total	**$ 973,371**				

There were no transfers of financial instruments between any levels for the years ended December 31, 2019 and 2018.

2) Valuation techniques for financial instruments measured at fair value — Non-derivative financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices. The market prices from the main exchanges and government bond exchanges are the basis of the fair value of the listed company's equity instruments and debt instruments.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

(Continued)

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair values of the Company' s financial instruments in an active market for each category and attribute were as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions traded in active liquid markets are determined with reference to the quoted market prices, including open-end mutual funds.

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments：

1) Credit risk

2) Liquidity risk

3) Market risk

The following, likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent company only financial statements.

(ii) Structure of risk management

The Company minimizes the risk exposure by purchasing derivative financial instruments. The Board of Directors regulated the transaction of derivative and non-derivative financial instruments in accordance with the Company' s procedures for acquisition and disposal of assets. The internal auditors of the Company continually review the amount of the risk exposure in accordance with the Company' s policy and the risk management policies and procedures. The Company has no transactions in the financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company offers standard payment term and shipment term. New customers may transact with the Company only on a prepayment basis.

In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including listed company and unlisted company. In order to avoid the excess of credit limitation of the customer, the Company constantly monitors the status of the customers. The Company will stop trading with the customer who has no credit limits, unless, the payment has been paid or approved. Furthermore, credit limits of the customers will be assessed quarterly.

The Company sets the allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore no significant credit risk.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries. Please refer to note (13)(a)(ii) for information on guarantees and endorsements to subsidiaries as of December 31, 2019 and 2018.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to notes 6(j) and 6(k) for unused short-term and long-term bank facilities as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company's entities, primarily NTD. The currencies used in these transactions are denominated in NTD, EUR, USD, and JPY.

2) Interest rate risk

Entities in the Company borrow funds with floating interest rates which results to risks of cash flows.

3) Other market price risk

The Company is exposed to equity price risk due to the quoted open-end fund at fair value.

(w) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital by using appropriate debt-to-equity ratio. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date was as follows:

	December 31, 2019	**December 31, 2018**
Total liabilities	$ 2,144,916	1,793,959
Total equity	10,176,726	10,448,685
Debt-to-equity ratio	21 %	17 %

(x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities, which did not affect the current cash flow in the year ended December 31, 2019, were derived from the acquisition of its right-of-use assets by lease. For related information, please refer to note (6)(h). There were no non-cash investing and financing activities in the year ended December 31, 2018.

(Continued)

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes Other	December 31, 2019
Short-term borrowings	$ 4,730	(4,730)	-	-
Lease liabilities (including current and non-current portion)	127,756	(9,490)	9,221	127,487
Total liabilities from financing activities	$ **132,486**	**(14,220)**	**9,221**	**127,487**

	January 1, 2018	Cash flows	December 31, 2018
Long-term borrowings	$ 625,000	(625,000)	-
Short-term borrowings	-	4,730	4,730
Total liabilities from financing activities	$ **625,000**	**(620,270)**	**4,730**

(7) Related-party transactions

(a) Name and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Hwi-Jie, Yang	The former chairman of the Company, who was discharged on December 17, 2018
Tong Hsing Electronics Phils. Inc. (THEPI)	Subsidiary

(b) Other transaction with related party

(i) Manufacturing fee

After the Company sold raw materials to the subsidiary for manufacturing, the subsidiary will directly transport the products to the customers of the Company. During 2019 and 2018, the manufacturing fee amounted to $512,466 and $703,707, respectively. The term is a monthly payment by cash.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Company and related parties were as follows:

	2019	2018
Subsidiaries	$ **1,108,661**	**726,607**

(Continued)

The purchase prices from related parties were not significantly different from those offered by other vendors. The payment terms were monthly closing, which were not significantly different from the payment terms given by other vendors.

(iii) Payable to related parties

The payables to related parties as of December 31, 2019 and 2018 were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Accounts payable	Subsidiaries	$ 49,827	97,702
Payable on manufacturing (under other payables)	〃	$ 30,400	92,662

(iv) Property transactions

The disposals of property, plant and equipment to related parties are summarized as follows:

	2019		2018	
Related party categories	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Subsidiaries	$ 3,362	-	4,670	-

The term is monthly closing and received by cash.

(v) Other receivables

The receivables due from related parties were as follows:

	December 31, 2019	December 31, 2018
Other receivables	$ 3,156	2,677

(c) Transactions with key management personnel

(i) Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 81,676	78,162
Post-employment benefits	2,886	10,244
	$ 84,562	88,406

(Continued)

(ii) Provide guarantees

Part of the Company's long-term and short-term borrowings and credit lines were guaranteed by the chairman, Hwi-Jie, Yang, as of December 31, 2018.

There were no guarantees provided by related parties as of December 31, 2019.

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Subject	December 31, 2019	December 31, 2018
Other financial assets – non current – time deposits	Rental guarantee for the plant in the Hsinchu Science Park, Longtan Dist.	$ 5,000	5,000
Property, plant and equipment – land and buildings	Long-term and short-term borrowings and credit lines	380,748	402,343
		$ 385,748	407,343

(9) Commitments and contingencies

(a) The Company's unrecognized contractual commitments were as follows:

	December 31, 2019	December 31, 2018
Future payments for the purchase of equipment and construction in progress	$ 95,522	79,131

(b) The Company's unused and outstanding letters of credit and the deposit for the Company's customs duties were as follows:

	December 31, 2019	December 31, 2018
Unused and outstanding letters of credit and the deposit for customs duties	$ 22,726	28,245

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:.

(a) On December 27, 2019, in order to expand the business scale and enhance the competitiveness of the Company, a resolution was approved by the board of directors to acquire 100% of KINGPAK Technology Inc.' s (KINGPAK) issued and outstanding shares through stock exchange, wherein KINGPAK will eventually become a wholly owned subsidiary of the Company.

(Continued)

The share exchange will be conducted at an exchange ratio of 1.244 ordinary share of the Company for 1 ordinary share of KINGPAK. The exchange ratio had been decided after comprehensive consideration; taking multiple factors into account, including the latest financial report reviewed by the certified public accountants, the auditing results conducted by independent experts, KINGPAK's company operation, the market value of shares, the earnings per share, and the net value per share. The Company also considered its synergy and development in the future. The Exchange was reached based on the independent professional appraisal reports from the independent experts about the exchange ratio.

The board of directors is authorized to adjust and stipulate if there are circumstances which may arise that require adjustments according to the agreement, from the signing date of the agreement until the reference date of the merger. The agreement was approved during the special meeting of the shareholders on February 14, 2020, with the tentative reference date of the merger set on June 30, 2020. After the confirmation has been submitted by the relevant authority 72,271,565 new common shares, with a par value of $10, amounting to $722,716, will be issued.

(b) The board of directors of the Company resolved to conduct a capital reduction by cash amounting to $578,751 on March 18, 2020 which has not been approved by the annual stockholders' meeting, whereby 57,875 thousand common shares were cancelled, resulting in the capital to decrease by 24.3%.

(12) Other

A summary of employee benefits, depreciation and amortization categorized by function, is as follows:

By function / By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,007,196	245,038	1,252,234	985,325	251,740	1,237,065
Labor and health insurance	98,932	15,745	114,677	90,544	15,371	105,915
Pension	38,838	11,450	50,288	34,891	12,040	46,931
Remuneration of directors	-	18,938	18,938	-	18,226	18,226
Other employee benefits	48,480	6,054	54,534	46,749	6,361	53,110
Depreciation	581,064	19,002	600,066	687,932	18,494	706,426
Amortization	2,390	6,032	8,422	852	3,269	4,121

For the years ended December 31, 2019 and 2018, the information on the number of employees and employee benefit expense of the Company are as follows:

	2019	2018
Number of employees	1,772	1,703
Number of directors (non-employees)	8	5
Average employee benefit expense	$ 834	850
Average employee salary expense	$ 710	729
Percentage of change in average employee salary expense	(2.61)%	

(13) Other disclosure items

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

Unit: In Thousands of New Taiwan Dollars

Number (Noe 1)	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral Item	Collateral Value	Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 3)
0	The Company	THEPI	Other receivables —related parties	-	300,000	-	1%	2	-	Business turnover	-	None	-	996,209	3,984,839

Note1: The companies are coded as follows:
1.0 represents the parent company.
2.1 represents the subsidiaries.

Note2: 1.Represents entities with business dealings. 2.Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note3: The total amount available for financing purposes shall not exceed 40% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

Note4: When funds are loaned to a company for reasons of business dealings, the total amount of loans shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed the total amount of trading between the two companies. The trading amount refers to the year preceding the date of occurrence of the amount of purchase or sale between the parties, whichever is higher. When funds are loaned to a company with short-term financial need, the total amount of loans shall not exceed 30% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor; each individual loan shall not exceed 10% of the parent company's net worth as stated in its latest financial statement audited or reviewed by the independent auditor.

(ii) Guarantees and endorsements for other parties: None.

(Continued)

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand units/ thousand shares

Name of holder	Category and name of security	Relationship with Company	Account tittle	Ending balance				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value	
	Open-end mutual funds:							
The Company	Paradigm Pion Money Market Fund	None	Financial assets at fair value through profit or loss-current	8,702	$ 100,937	-	100,937	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Unit: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party with the Company	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	Note 1	1,413,316	1,413,316	Ya-Syuan Huang, De-Shuei Peng	None	N/A	N/A	N/A	N/A	Valuation report	Expected for operation use, and the registration process had been completed.	None

Note 1: The board of directors had approved the purchases of land on June 13, 2019. The Company entered into a sale and purchase agreement with Ya-Syuan Huang and De-Shuei Peng on June 20, 2019, to purchase their land located at Bade Dist., Taoyan City with purchase consideration of $1,413,316. Please refer to note (6)(g).

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Units: In Thousands of New Taiwan Dollars

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of Company	Related party	Nature of relationship	Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	Note
The Company	THEPI	100% owned subsidiary by the Company	Purchase	1,108,661	33 %	monthly closing and paid by cash	-	-	(49,827)	(11)%	
〃	〃	〃	Manufacturing fee	512,466	15 %	〃	-	-	Note 1	- %	
THEPI	The Company	Parent Company	Sale	(1,108,661)	(66)%	monthly closing and received by cash	-	-	49,827	52 %	
〃	〃	〃	Manufacturing revenue	(512,466)	(31)%	〃	-	-	30,400	32 %	

Note 1: The other receivables (payables) amounted to $30,400 as of December 31, 2019.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit: thousand dollars/ thousand units

			Main Businesses	Original Investment Amount		Ending Balance			Net Income (Losses)	Share of profit	
Name of investor	Name of Investee	Location	and Products	December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of Ownership	Carrying amount	of the Investee	(losses) of investee	Note
The Company	THEPI	Lot 15, Road 3, Carmelray Industrial Park. PEZA Canlubang, Calamba, Laguna, Philippines	Sales and manufacturing of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensors	2,016,853	2,016,853	28,793	100 %	1,257,177	(47,329)	(43,536)	-

Note: The investment income (loss) recognized is based on the financial statements audited by the independent auditor of the Company.

(c) Information on investment in mainland China: None.

(14) Segment information

Please refer to the consolidated financial report of 2019.

7.Financial Status and Operating Results

7.1 Financial Status

Unit: NTD thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	6,491,899	8,052,786	(1,560,887)	(19.38)
Property, Plant and Equipment	5,584,092	4,197,116	1,386,976	33.05
Intangible Assets	68,940	65,240	3,700	5.67
Other Assets	277,860	148,199	129,661	87.49
Total Assets	12,422,791	12,463,341	(40,550)	(0.33)
Current Liabilities	1,762,168	1,718,682	43,486	2.53
Non-current Liabilities	483,897	295,974	187,923	63.49
Total Liabilities	2,246,065	2,014,656	231,409	11.49
Equity Attributable to Shareholders of the Parent	10,176,726	10,448,685	(271,959)	(2.60%)
Capital Stock	1,653,575	1,653,575	-	-
Capital Surplus	4,997,188	5,063,801	(66,613)	(1.32)
Retained Earnings	3,589,674	3,772,201	(182,527)	(4.84)
Other Adjustments	(63,711)	(40,892)	(22,819)	55.80
Treasury Stock	-	-	-	-
Total Equity	10,176,726	10,448,685	(271,959)	(2.60)

Explanations for Significant Changes (over 20%):

1.Increase in Property, Plant and Equipment:Mainly due to asquire land in 2019 for company future operating request.

2.Increase in Other Assets: Mainly due to adjust leased plant and equipment to Right-of-used assets in compliance with IFRSS 16 Leases in 2019.

3. Increase in Non-current Liabilities: Mainly due to increase of receipts in advance from customers and increase of payment for leased Plant and equipment in compliance with IFRSS 16 in 2019.

4. Increase in Other Adjustments: Due to increase of exchange differences on translation of foreign financial statements.

7.2 Financial Performance

7.2.1 Financial Performance

Unit: NTD thousands

Item \ Year	2019	2018	Increase (Decrease) Amount	% of change
Net Revenue	7,430,654	7,413,512	17,142	0.23
Gross Profit	1,599,744	1,901,684	(301,940)	(15.88)
Net Operating Income	911,877	1,138,561	(226,684)	(19.91)
Non-operating Income and Expenses	30,369	106,722	(76,353)	(71.54)
Income before Income Tax	942,246	1,245,283	(303,037)	(24.33)
Income from Continuing Operations	741,956	1,013,603	(271,647)	(26.80)
Loss from Discontinuing Operations	-	-	-	-
Net Income	741,956	1,013,603	(271,647)	(26.80)
Other Comprehensive Income (Loss), After Tax	(21,770)	3,496	(25,266)	(722.71)
Comprehensive Income	720,186	1,017,099	(296,913)	(29.19)
Net Income Attributable to Shareholders of the Parent	741,956	1,013,603	(271,647)	(26.80)
Net Income Attributable to Minority Equity	-	-	-	-
Comprehensive Income Attributable to Shareholders of the Parent	720,186	1,017,099	(296,913)	(29.19)
Comprehensive Income Attributable to Minority Equity	-	-	-	-

Explanations for Significant Changes (over 20%):

1. Decrease in Non-operating Income and Expenses: due to an increase exchange loss from currency difference.
2. Decrease in Net income and income from continuing operations: Mainly due to a decrease of gross profit in 2019.
3. Decrease in Other Comprehensive Income: Mainly due to a decrease of gross profit in 2019.

7.3 Analysis on Cash Flow

7.3.1 Analysis Cash Flow Changes during the Most Recent Fiscal Year

Unit: NTD thousands

Cash Balance at the beginning of the year 12/31/2018	Net Cash Provided from Operating Activities 2019	Net Cash Provided from Investing and Financing Activities 2019	Impact from changes in Foreign Currency Exchange Rate	Balance of Net Cash 12/31/2019	Remedy for Cash Shortfall	
					Investment Plan	Financing Plan
5,168,430	1,881,504	(3,329,901)	(15,887)	3,704,146	-	-

7.3.1.1. Net Cash flow in 2019increases NTD748,724 thousands compared with last year is due to below items:

Analysis Cash Flow Changes during the Most Recent Fiscal Year

	2019	2018	Variance
Operating Activities	1,881,504	1,531,934	349,570
Investing Activities	(2,076,836)	(626,266)	(1,450,570)
Financing Activities	(1,253,065)	(1,649,689)	396,624
Foreign Currency Exchange Rate	(15,887)	28,461	(44,348)
Net Cash Flow	(1,464,284)	(715,560)	(748,724)

(1)Operating Activities: Mainly due to an increase of inventories in 2019 while an increase of receipts in advance from customers caused a increase of cash inflow.

(2) Investing Activities: Mainly due to raised amounts of acquiring property, plant and equipment in 2019 and caused an increase of cash outflow.

(3) Financing Activities: Mainly due to pay back long-term loan in 2018 and caused a decrease of cash outflow.

(4) Foreign Currency Exchange Rate: Mainly from the impact of exchange difference on the translation of financial reports of foreign operating agencies.

7.3.2 Action Plans to Improve the Cash Flow: Not Applicable.

7.3.3 Cash Liquidity Analysis for the Upcoming Year

We plan to take bank loans to finance the future operations and other investment plans.

7.4 Impact on the Company's Financial Operations and Contingency Actions Regarding Major Capital Expenditures

7.4.1 Major Capital Expenditures

Unit: NTD thousands

Plan	Actual or Planned Source of Capital	Actual Use of Capital
Property, plant and equipment	-Self-generated capital. - bank loans.	2,166,893

7.4.2 Expected Benefits

1. Expand ceramic substrate capacity and enhance product quality to satisfy customer demands.
2. Expand image sensor capacity and enhance production technology to satisfy customer demands.
3. Lower costs further and increase operating profit abilities.

7.5 Investment Policy, Causes of Profit/Loss and Future Investment Plans

7.5.1 Profits or losses from investments in other businesses as of December 31, 2019

Unit: NT$ thousands

Investee business	Number of shares invested (thousand shares)	Investment shares Percentage	Net equity	Accounting method	2019 Losses on investment
TONG HSING ELECTRONICS PHILS. INC.	28,793	100.00%	1,263,907	Equity method	(43,536)

7.5.2 Investee business analysis table

Unit: NTD thousands

Investee business	Investment amount (Note 1)	Policies	Main reasons for profit or loss	Improvement plan	Other future investment plans
TONG HSING ELECTRONICS PHILS. INC.	0	100% owned - a low-cost production hub	They were mainly due to changes in product portfolio in response to market demand and the production capacity of certain products fail to attain economies of scale.	Enhance business development.	None

Note 1: There was no increase or decrease in the amount of investment in fiscal year 2019.

7.6 Risk Management and Evaluation

7.6.1 Impact on Corporate Profitability from Fluctuating Interest Rates, Exchange Rates, and Inflation

The Company prioritizes security management for the allocation of capital and regularly evaluates reasonable return on investments. We established specific foreign exchange operating strategies and rigorous monitoring procedures to monitor changes in foreign exchange rates. We also closely monitor changes in market prices and maintain good interactions with suppliers and customers. We collect information of the inflation and government pricing policy and have not suffered material impact as a result of inflation. The Company shall continue to uphold the risk management strategy to reduce the impact of interest rate, exchange rate variation, and inflation on the Company's income.

7.6.2 Profit or Loss from Activities in High Risk and Highly Leveraged Investments, Loans Provided to Others, Endorsements and Guarantees, and Derivatives

The Company does not engage in high-risk and high-leverage investments. All investments are carefully evaluated before implementation. The Company did not engage in endorsements and guarantees or transactions in derivatives in 2019 and only provided loans to the Company's wholly-owned subsidiary in the Philippines. Related matters were processed in accordance with the Company's "Procedures for Loaning of Funds and Making of Endorsements/Guarantees.".

7.6.3Future R&D Plans and Expected R&D Spending

Apart from the basic research and development on new production processes/ materials, we will continue to focus on the technology developments in the application areas of communication, high frequency, high power, detector, image sensor automobiles, and biomedicine, etc. Total capital put in for R&D is estimated at NT$150 million.

7.6.4 Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Domestic and International Policies and Regulations:

The Company's business operations are carried out in accordance with related domestic and foreign laws and regulations. We also pay close attention to important domestic and foreign policy development trends and changes in laws. We consult related professionals to fully monitor and respond to changes in the market environment. The Company's finances and businesses have not been affected by major changes in policies and laws of domestic or foreign governments.

7.6.5 Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Technology

Our business is closely linked to mobile communication, energy saving, clean energy and automotive industries.

4G wireless platform has prevailed for many years; however, it cannot accommodate the bandwidth required for the emerging applications, such as IoT and self-driving. Thus we will soon be entering the next generation of mobile broadband, 5G, replacing 4G. Facing the transition, the Company is fully dedicating to developing SAW Filter packaging used in wireless communications and new ceramic substrate production technology for quartz oscillators.

After the boom in the past few years, market demands for smartphones, tablet and wearable devices have slowed down. Key growth drivers for the mobile communication are now coming from highly differentiated and integrated applications and slim designs with power-saving features, such as high-resolution image sensors, dual lenses, high-speed laser autofocus, etc. To cater to the trend, we will keep polishing our packaging technologies and expand the capacity for image sensors, in addition to the on-going developments on 3D-image and autofocus sensors and on VCSEL products.

For energy saving applications, amid the heating-up competition in LED market, we will continue to improve the cost structure to stay competitive; in the meantime, we will expand towards new applications, such as substrates used for TEC and semiconductor laser module packaging.

In the clean energy field, several sectors, including high-power AC/DC converting IC and the associated module and packaging service, are rising, as they are needed in solar and wind power generation, as well as in electronic vehicles. One of the important components is the power module, which has high requirements for heat dissipation and insulation. For the next-generation components, SiC will be in high demand, calling for DBC solution on substrates for its high operating temperature, high thermal conductivity, high insulation and low thermal expansion coefficient.

We are in the midst of coming up with high-stable LED ceramic substrates, as lighting is taking up halogen and high-voltage lights. In addition, our packaging and testing solutions for 3D image sensors and laser application are on the way to fit the needs of gesture control and LiDAR for smart cars and the self-driving platforms.

We will strive to meet the customers' needs in terms of capacity and future applications.

7.6.6 Impact on the Company's Risk Management and Contingency Action Regarding Recent Changes in Corporate Image: None.

7.6.7 Risk from the Company's Mergers and Acquisitions:

The Company and Kingpak Technology Inc. (stock Code: 6238; hereinafter referred to as Kingpak Technology) convened board meetings on December 27, 2019 and extraordinary shareholders' meetings on February 14, 2020 to pass the share conversion proposal. After the share conversion, the Company shall continue to be listed while Kingpak Technology shall no longer be listed on TPEx. The share conversion ratio is 1 common share of Kingpak Technology for 1.244 common shares of the Company. The provisional share conversion baseline date is June 19, 2020. If any party cannot obtain the necessary approval or certification from the competent authority, or complete necessary procedures such as resolutions of the Board of Directors and/or shareholders' meeting before the share conversion baseline date, the Chairman and Kingpak Technology shall negotiate, adjust, and announce the share conversion baseline date. The approval and operating procedures required for the share conversion plan are still ongoing.

The Company has conducted a full evaluation of the share conversion plan in advance. We expect the integration of the outstanding management team, R&D, production management, and customer service resources to yield complementary synergy in product lines and customer groups. In addition to providing customers with more comprehensive CMOS image sensor packaging and testing services, we shall also increase technical integration and the efficient use of production resources in order to continuously improve CMOS image sensor technologies, increase competitiveness and profitability in the market, create positive benefits for shareholders' equity, and minimize investment risks.

7.6.8 Risk of Excess Capacity from Fluctuating Economics Conditions

The Company uses its own capital to expand plant capacity, up to the printing date of the annual report; the benefit obtained from the expansion is still in line with expectations. The Company purchased land in Bade District of Taoyuan City after obtaining the approval of the Board of Directors on June 13, 2019. The land shall be used for the construction of a plant to expand production capacity and respond to growing demands in the industry. As of the publication date of the Annual Report, the Company is still applying for the construction license.

Although the expansion of plant buildings requires capital investment, it extends the range of the Company's product line and expands production capacity to attain economies of scale, which will in turn increase revenue and profits, and expand our market share. In conclusion, the Company's current phase of plant expansion was carefully evaluated and planned with the aim of satisfying customer demand while making optimal use of capital. Therefore, the benefits of future plant expansion will be gradually visible and the risks of plant building expansion are limited.

7.6.9 Risk of Profit/Loss if Sales/Material are Concentrated on a Single or Few Customers/ Suppliers, and a Major Customers / Supplier Reduces its Orders / Supplies

The Company shall continue to actively develop new products and new customers to reduce the risks of over-concentration of customers.

The Company has not had individual suppliers that account for more than 20% of overall net purchases or individual customers that account for more than 20% of overall net sales. Therefore, there are currently no risks of over-concentration of purchases or sales.

In addition to maintaining positive relations with existing customers, the Company also develops new customers and new businesses to expand the scale of revenues and reduce dependency on individual customers.

7.6.10 Risk of Change of Control and Stock Price Fluctuation from Large Scale Transfer of Shares : None.

7.6.11 Risk of the Company Losing One or More Key Personnel without Adequate replacement Due to Any Change of Company Control

The Company organized elections of the Directors in the shareholders' meeting on June 21, 2019 and elected Mr. Tie-Min Chen as the Chairman of the Company. As of the publication date of the Annual Report, the Board of Directors continues to support the Company's existing management team. Therefore, the change in management rights of the Company has not had material impact on the Company's operations..

7.6.12 Litigation and Non-litigated Incidents:

Except for the following litigation involving Kaimei Electronic Corp., a Director with more than 10% of shares, there are no concluded or pending litigious, non-litigious, or administrative litigation events involving a Director, Supervisor, General Manager, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company that may have a significant impact on shareholders' equity or securities prices:

Kaimei Electronic Corp., a Director with more than 10% of shares of the Company, was dissolved after its merger with Teapo Electronic Corp. (hereinafter referred to as Teapo) on September 30, 2019. The surviving company, Teapo, takes over the rights and obligations of Kaimei Electronic Corp. after the merger and takes over Kaimei Electronic Corp.'s role as Director. Teapo was renamed Kaimei Electronic Corp. (hereinafter referred to as Kaimei) and therefore the litigations involving Kaimei Electronic Corp. include those of Teapo.

(1) The plaintiff XX Chen claimed that the plaintiff has been employed by Kaimei (previously Teapo) since April 1, 2013. As the plaintiff objected to the severance notice delivered by Kaimei on December 21, 2016, the plaintiff filed a claim to Taipei District Court for the confirmation of the employment relationship between the parties and requested Kaimei to pay unpaid salaries totaling NT$379,801 and, starting from December 1, 2017 to the date of reinstatement, pay a monthly salary of NT$44,700 and a quarterly bonus of NT$44,274. In the trial in the court of first instance, Taipei District Court found Kaimei's dismissal illegal and rendered a verdict on February 13, 2018 confirming the existence of the employment relationship between the parties. The Court deducted the severance pay of

NT$128,289 previously paid by Kaimei to XX Chen, required Kaimei to pay the plaintiff's unpaid salary totaling NT$377,830 and the monthly salary of NT$44,700 from December 1, 2017 to the date of the reinstatement of the plaintiff, and revoked other claims of the plaintiff. Kaimei rejected the judgment and filed an appeal. The court of second instance, Taiwan High Court, rendered a judgment on April 9, 2019 and rejected Kaimei's appeal. Kaimei refrained from filing additional appeals and paid XX Chen's salary totaling NT$1,093,030 and litigation expenses for the court of first instance totaling NT$27,631 based on the judgment for the court of second instance. Therefore, the case was concluded.

(2) Kaimei (previously Teapo) filed a suit against XX Chen in 2017 for breach of trust based on the sales representative XX Chen's deliberate quotation to an external party at a price lower than the Company's pricing standards while fully aware of the Company's pricing standards, and the acceptance of the purchase order. Taipei District Prosecutors Office dropped the case on May 29, 2019 and Kaimei did not petition for a review. The case was thus concluded.

In conclusion, the aforementioned cases were concluded. Based on the capital and business scale of Kaimei, the results of litigation of the aforementioned cases had no material impact on the finances and businesses of Kaimei. Therefore, the ultimate results had no material negative impact on the Company's finances and businesses, or the stockholders' equity or securities prices of the Company.

7.6.13 Other Significant Risks: None.

7.7 Other Necessary Supplements: None.

8. Subsidiary Information and Other Special Notes

8.1 Subsidiaries

8.1.1 The Consolidated Operating Report

8.1.1.1.1 Organizational Chart

As of 12/31/2019

Tong Hsing Electronic Industries, Ltd. — 100% — TONG HSING ELECTRONICS PHILS. INC.

8.1.1.1.2 Basic Information of the Company's Affiliated Enterprises:

As of 12/31/2019; Unit: NTD thousands

Name of Corporation	Date of incorporation	Address	Capital	Major Business
TONG HSING ELECTRONICS PHILS. INC.	Sep. 1994	103 Prosperity, Ave., Carmelray Ind'l Park Canlubang, Calamba City Philippines.	1,633,651	Sale and Production for RF modules, hybrid, ceramic substrates and image sensor products.

8.1.1.1.3 Informationfor Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

8.1.1.1.4 Business of Catcher's Affiliates and their relationship

Mutual dealings and division of work among affiliates:
Since March 2000, we have been supplying materials to TONG HSING ELECTRONICS PHILS. INC. for production processing and direct shipment to our customers.

8.1.1.1.5 Directors, Supervisors and General Manager of Affiliated Enterprises

As of 12/31/2019; Unit: Shares; %

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
TONG HSING ELECTRONICS PHILS. INC.	Chairman	Lai Hsi-Hu	1	0.000003%
	President	Lin Ching-Hsing	1	0.000003%
	Director	Jocelyn C. Francia	1	0.000003%
	Director	Roberto Jose Castillo	1	0.000003%
	Director	Chia Li Huang	1	0.000003%

8.1.2 Summarized Operation Results of Affiliated Enterprises

As of 12/31/2019; Unit: NTD thousands

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share ($)
TONG HSING ELECTRONICS PHILS. INC.	1,633,651	1,496,793	232,886	1,263,907	1,674,770	(42,236)	(47,329)	(1.64)

Note: Exchange rate as of 12/31/2019: US$ / NT$ = 29.98
The average exchange rate in 2019: US$ / NT$ = 30.912

8.1.3 Consolidated Financial Statements Covering Affiliated Enterprises

Representation Letter

The entities that are required to be included in the combined financial statements of Tong Hsing Electronic Industries, Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Tong Hsing Electronic Industries, Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Tong Hsing Electronic Industries, Ltd.
Chairman: Tie-Min Chen
Date: March 18, 2020

8.1.4 Report on Affiliations: None.

8.2 Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the following information shall be disclosed: the date on which the placement was approved by the Board of Directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan: None.

8.3 Acquisition or Disposal of Catcher's Shares by Subsidiaries: None.

8.4 Other Necessary Supplements: None.

9. Any Events in 2019 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:

None.

TONG HSING ELECTRONIC INDUSTRIES, LTD.

Chairman: Tie-Min Chen