Stock code: 4912

Lemtech Holdings Co., Limited
and subsidiaries

Consolidated Financial Report and Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

Independent Auditors' Report

Lemtech Holdings Co., Limited public notice:

Audit opinion

We have audited the accompanying consolidated financial statements of Lemtech Holdings Co., Limited and its subsidiaries (the company), which comprise the consolidated balance sheet as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the company as of December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the periods from January 1 to December 31, 2019 and 2018 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC and SIC endorsed by the FSC.

Basis for Auditor's Opinions

We have performed the audit of 2019 in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, FSC Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805, dated Feb. 25, 2020 and the auditing standards generally accepted in the Republic of China; the audit of 2018 has been performed in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other obligations under the Norm. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key Audit Matters

Key Audit Matters refer to matters that, in our professional judgement, were of most significance in our audit of the 2019 Consolidated Financial Statements of the company. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming out opinion thereon, and we do not provide a separate opinion on these matters.
Key Audit Matters for the consolidated financial statements of Lemtech Holdings Co., Limited and its subsidiaries (the company) for 2019 are stated as follows:
Key Audit Matters: the authenticity of sales revenue of specific customers

The revenue of the company is mainly derived from computer, communication, consumer electronics and automotive parts. Since the materiality and the Statements on Auditing Standards has defaulted revenue recognition as a significant risk. Therefore, the assessment of the authenticity of sales transactions with major customers meeting the certain conditions was listed as a key audit matter. For details of the revenue recognition policy, please refer to Notes 4 and 26 of the consolidated financial report.
We understand the industry and economic environment of the company. In addition to testing the relevant internal controls, we select samples of major customers meeting certain conditions from sales of 2019, and verify the shipping orders, invoices and receipts to confirm the authenticity of the revenue.

Responsibility of the management and the governing body for the Consolidated Financial Statements

It is the management's responsibility to fairly present the consolidated financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, IFRIC and SIC endorsed by the FSC, and to sustain internal controls respecting preparation of the consolidated financial statements so as to avoid material misstatements due to fraud or errors therein.
In preparing the consolidated financial statements, the responsibility of management includes assessing the company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the company or terminate the business, or has no realistic alternative but to do so.
The governing bodies of the company (including the audit committee) have the responsibility to oversee the procedures for financial reporting.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.
We have utilized our professional judgment and maintained professional skepticism when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also execute the following tasks:

1. Identify and assess the risks of material misstatement within the consolidated financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances. However, the purpose is not to express an opinion on the effectiveness of the company's internal control.

3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements; or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the company to no longer continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated 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 governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them on all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with the governing body, we determined the key audit matters for the company's 2019 consolidated financial statements. 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.

Deloitte & Touche
Taipei, Taiwan (Republic of China)
Mar. 25, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its 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' 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' report and consolidated financial statements, the Chinese version shall prevail.

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

Lemtech Holdings Co., Limited and subsidiaries

Consolidated Balance Sheet

Dec. 31, 2019 and 2018

Unit: NTD thousands

		Dec. 31, 2019		Dec. 31, 2018	
Code	Total assets	Sum	%	Sum	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 6 and 35)	$ 942,332	15	$ 550,292	10
1136	Financial assets at amortized cost - current (Notes 8, 9, 35 and 37)	79,436	1	3,842	-
1150	Notes receivable (Notes 10 and 35)	4,684	-	5,379	-
1170	Accounts receivable (Notes 10, 35 and 36)	2,076,706	33	2,220,152	41
1197	Finance lease receivable (Note 11)	5,540	-	-	-
1200	Other receivables (Notes 10 and 35)	17,122	-	17,828	-
1220	Current income tax assets (Note 28)	13	-	31	-
130X	Inventory (Note 12)	736,718	12	900,520	17
1410	Prepayments (Note 20)	85,068	2	103,923	2
1470	Other current assets (Note 20)	2,047	-	3,147	-
11XX	Total Current Assets	3,949,666	63	3,805,114	70
	NON-CURRENT ASSETS				
1550	Investment using equity method (Note 14)	32,923	1	33,502	1
1600	Property, plant, and equipment (Notes 15, 31, 33, and 37)	1,808,305	29	1,230,891	23
1755	Right-of-use assets (Note 16)	233,101	4	-	-
1805	Goodwill (Note 17)	82,387	1	-	-
1821	Other intangible assets (Note 18)	42,204	1	22,634	-
1840	Deferred income tax assets (Note 28)	15,372	-	20,847	-
194D	Finance lease receivable - non-current (Note 11)	13,789	-	-	-
1915	Prepayments for equipment (Note 20)	41,228	1	194,248	4
1920	Refundable Deposits (Note 20)	7,032	-	2,977	-
1985	Long-term prepaid rent (Note 20)	-	-	88,214	2
15XX	Total Non-current Assets	2,276,341	37	1,593,313	30
1XXX	Total Assets	$ 6,226,007	100	$ 5,398,427	100
Code	Liabilities and Equity				
	CURRENT LIABILITIES				
2100	Short-term loans (Notes 21, 33, and 35)	$ 965,312	16	$ 1,009,466	19
2130	Contract liabilities - current (Note 26)	79,408	1	66,510	1
2150	Notes payable (Notes 23 and 35)	183,304	3	300,787	5
2170	Accounts Payable (Note 23, 35, and 36)	1,466,225	24	1,134,173	21
2219	Other Payable (Note 24 and 35)	190,962	3	200,410	4
2230	Current tax liabilities (Note 28)	26,001	-	13,318	-
2280	Lease liabilities-current (Notes 16 and 33)	47,803	1	-	-
2399	Other current liabilities (Note 24)	15,145	-	7,403	-
21XX	Total Current Liabilities	2,974,160	48	2,732,067	50
	NON-CURRENT LIABILITIES				
2500	Financial liabilities at fair value through profit or loss - Non-current (Notes 7, 22 and 35)	3,392	-	910	-
2530	Corporate bonds payable (Note 22)	580,601	9	576,478	11
2540	Long-term debt (Notes 21, 35 and 37)	350,000	6	-	-
2570	Deferred income tax liabilities (Note 28)	220,133	3	208,160	4
2580	Lease liabilities-non-current (Notes 16 and 33)	120,340	2	-	-
2645	Guarantee deposit received	6,888	-	6,708	-
25XX	Total non-current liabilities	1,281,354	20	792,256	15
2XXX	Total Liabilities	4,255,514	68	3,524,323	65
	Equity attributable to shareholders of the parent (Note 25)				
	Equity				
3110	Ordinary stock	474,720	8	395,411	7
3200	Capital reserve	802,102	13	784,347	15
	Retained earnings				
3320	Special reserve	13,500	-	13,500	-
3350	Unappropriated retained earnings	731,348	12	662,990	13
3300	Total Retained Earnings	744,848	12	676,490	13
3410	Exchange differences on translation of foreign financial statements	(68,349)	(1)	1,375	-
31XX	Equity attributable to shareholders of the parent	1,953,321	32	1,857,623	35
36XX	Uncontrolled equity	17,172	-	16,481	-
3XXX	Total equity	1,970,493	32	1,874,104	35
	Total Liabilities and Equity	$ 6,226,007	100	$ 5,398,427	100

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

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

Lemtech Holdings Co., Limited and subsidiaries

Consolidated Statement of Comprehensive Income

Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands
Except for earnings per share which are in NTD

		2019		2018	
Code		Sum	%	Sum	%
	Operating revenue (Notes 26 and 36)				
4110	Sales	$ 5,079,318	101	$ 6,072,407	100
4190	Sales returns and allowances	(36,661)	(1)	(29,317)	-
4000	Total operating revenue	5,042,657	100	6,043,090	100
5000	Operating cost (Notes 12 and 36)	(4,011,648)	(79)	(4,757,020)	(79)
5900	Gross business profit	1,031,009	21	1,286,070	21
	Operating expenses (Note 27)				
6100	Selling expenses	(168,703)	(3)	(199,533)	(3)
6200	Administrative expenses	(336,982)	(7)	(316,674)	(5)
6300	Research and development expenses	(125,768)	(3)	(151,893)	(3)
6450	Expected credit impairment loss	(5,673)	-	(12,011)	-
6000	Total operating expenses	(637,126)	(13)	(680,111)	(11)
6900	Net operating profit	393,883	8	605,959	10
	Non-operating income and expenses (Note 27)				
7010	Other income	15,032	-	26,299	1
7020	Other gains and losses	(13,459)	-	(59,085)	(1)
7050	Finance costs	(58,919)	(1)	(45,642)	(1)
7060	Share of gain (loss) of affiliates and joint ventures accounted for under equity method	321	-	14,633	-
7000	Total non-operating income and expenses	(57,025)	(1)	(63,795)	(1)

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Code		2019 Sum	2019 %	2018 Sum	2018 %
7900	Earnings Before Tax (EBT)	$ 336,858	7	$ 542,164	9
7950	Income tax fees (Note 28)	(74,519)	(2)	(136,761)	(2)
8200	Net profit for this period	262,339	5	405,403	7
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to gain or loss:				
8361	Exchange differences on translation of foreign financial statements	(69,514)	(1)	(9,189)	-
8300	Other comprehensive income (net, after tax)	(69,514)	(1)	(9,189)	-
8500	Total comprehensive income (loss) during this period	$ 192,825	4	$ 396,214	7
	Net income attributable to				
8610	Shareholders of the parent	$ 259,447	5	$ 382,474	6
8620	Uncontrolled equity	2,892	-	22,929	1
8600		$ 262,339	5	$ 405,403	7
	Total comprehensive income (loss) attributable to				
8710	Shareholders of the parent	$ 189,723	4	$ 376,028	6
8720	Uncontrolled equity	3,102	-	20,186	1
8700		$ 192,825	4	$ 396,214	7
	Earnings Per Share (Note 29)				
	From continuing business				
9710	Basic	$ 5.47		$ 8.06	
9810	Diluted	$ 5.35		$ 7.91	

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Lemtech Holdings Co., Limited and subsidiaries
Consolidated Statement of Changes in Equity
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands

		Equity attributable to owners							
				Retained earnings					
Code		SHARE CAPITAL	Capital reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total	Uncontrolled equity	Total equity
A1	Balance as of Jan. 1, 2018	$ 395,411	$ 678,811	$ 28,925	$ 363,944	$ 7,821	$ 1,474,912	$ 144,700	$ 1,619,612
	Appropriation and distribution of 2017 earnings								
B3	Special reserve	-	-	(15,425)	15,425	-	-	-	-
B5	Cash dividend attributable to shareholders	-	-	-	(98,853)	-	(98,853)	-	(98,853)
	Other changes in capital surplus								
M5	Actually acquired part of the equity of the subsidiary	-	79,798	-	-	-	79,798	(79,798)	-
C5	Issuance of convertible corporate bonds with recognized equity component	-	25,738	-	-	-	25,738	-	25,738
D1	2018 Net profit	-	-	-	382,474	-	382,474	22,929	405,403
D3	2018 Other Comprehensive Income (Loss) after tax	-	-	-	-	(6,446)	(6,446)	(2,743)	(9,189)
D5	Total comprehensive income (loss) in 2018	-	-	-	382,474	(6,446)	376,028	20,186	396,214
O1	Changes in non-controlling interests	-	-	-	-	-	-	(68,607)	(68,607)
Z1	Balance as of Dec. 31, 2018	395,411	784,347	13,500	662,990	1,375	1,857,623	16,481	1,874,104
	Appropriations and distribution of 2018 retained earnings								
B5	Cash dividend attributable to shareholders	-	-	-	(98,853)	-	(98,853)	-	(98,853)
B9	Stock dividend attributable to shareholders	79,082	-	-	(79,082)	-	-	-	-
	Other changes in capital surplus								
M5	Actually disposal / acquisition of part of the equity of the subsidiary	-	13,154	-	(13,154)	-	-	-	-
D1	2019 Net Profit	-	-	-	259,447	-	259,447	2,892	262,339
D3	2019 Other Comprehensive Income (Loss) after tax	-	-	-	-	(69,724)	(69,724)	210	(69,514)
D5	Total comprehensive income (loss) in 2019	-	-	-	259,447	(69,724)	189,723	3,102	192,825
I1	Corporate bonds converted into common shares	227	4,601	-	-	-	4,828	-	4,828
O1	Changes in non-controlling interests	-	-	-	-	-	-	(2,411)	(2,411)
Z1	Balance as of Dec. 31, 2019	$ 474,720	$ 802,102	$ 13,500	$ 731,348	($ 68,349)	$ 1,953,321	$ 17,172	$ 1,970,493

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

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

Lemtech Holdings Co., Limited and subsidiaries

Consolidated Statement of Cash Flows

Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018

Unit: NTD thousands

Code		2019	2018
	Cash flows from operating activities		
A10000	Net income before tax of the current year	$ 336,858	$ 542,164
A20010	Income and expenses having no effect on cash flows		
A20100	Depreciation expense	246,395	166,693
A20200	Amortization	10,802	5,632
A20300	Expected credit impairment loss	5,673	12,011
A20900	Finance costs	58,919	45,642
A21200	Interest income	(7,902)	(10,268)
A22300	Share of gain (loss) of affiliates and joint ventures accounted for under equity method	(321)	(14,633)
A22500	Gain (loss) on disposal of Property, Plant and Equipment	(592)	527
A23200	Gains from disposal of investments accounted for using equity method	(2,163)	-
A20400	Net Losses from Financial Assets and Liabilities Measured at Fair Value through Profit or Loss	2,489	1,990
A23800	Allowance for inventories	46,758	11,583
A24100	Foreign currency net (gains) losses	(20,094)	35,482
A29900	Amortization of prepaid lease payments	-	2,295
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	695	19,697
A31150	Accounts receivable	162,992	(420,329)
A31180	Other receivables	1,600	(9,867)
A31200	Inventories	132,636	(293,103)
A31230	Prepayments	(30,935)	(4,352)
A31240	Other current assets	3,083	(3,147)
A32125	Contract liabilities	12,898	20,866
A32130	Notes payable	(117,483)	216,089
A32150	Accounts payable	300,761	137,721
A32180	Other payables	(47,798)	45,134
A32230	Other current liabilities	7,709	(2,758)
A33000	Cash from operating activities	1,102,980	505,069
A33300	Interest paid	(43,376)	(39,601)
A33500	Income tax paid	(40,039)	(40,917)
AAAA	Net cash flows from operating activities	1,019,565	424,551

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Code		2019	2018
	Cash flows from investing activities		
B07500	Interest received	$ 7,165	$ 10,449
B00040	Acquisition of financial assets at amortized cost	(75,594)	-
B00050	Disposal of financial assets at amortized cost	-	151,886
B01800	Acquisition of affiliates	(10,000)	(8,987)
B02200	Acquisition of net cash outflow from subsidiaries	(120,534)	-
B02700	Purchase of property, plant, and equipment	(597,659)	(376,435)
B02800	Disposal of Property, Plant and Equipment	34,929	1,946
B04500	Purchase of intangible asset	(5,358)	(5,976)
B04600	Proceeds from disposal of intangible assets	1,626	-
B06100	Decreases in finance lease receivables	5,130	-
B03700	Refundable deposits paid	(3,395)	-
B03800	Refundable deposits refunded	-	3,742
BBBB	Net cash flows used in investing activities	(763,690)	(223,375)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(44,154)	(526,156)
C01200	Proceeds from issuing bonds	-	597,375
C01600	Increase in long-term borrowings	350,000	-
C01700	Repayment of long-term loan	-	(141,566)
C04020	Cash payments for the principal portion of the lease liability	(50,458)	-
C03000	Guarantee deposits received	180	-
C03100	Guarantee deposits refunded	-	(512)
C04500	Dividend paid to shareholders	(98,853)	(98,853)
C05800	Changes in non-controlling interests	-	(78,656)
CCCC	Net Cash Inflows (Outflows) from Financing Activities	156,715	(248,368)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(20,550)	(12,425)
EEEE	Increases (decreases) in cash and cash equivalents	392,040	(59,617)
E00100	Cash and cash equivalents at beginning of year	550,292	609,909
E00200	Cash and cash equivalents at end of year	$ 942,332	$ 550,292

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

Lemtech Holdings Co., Limited and subsidiaries
Notes to the Consolidated Financial Statements
Jan. 1 to Dec. 31, 2019 and Jan. 1 to Dec. 31, 2018
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Lemtech Holdings Co., Limited (hereinafter referred to as the "company") was established in the British Cayman Islands in September 2009. It is founded during organizational restructure mainly to apply for registration with the Taipei Exchange to facilitate stock trading. After the restructuring, the company became the controlling company of Lemtech Global Solution Co. Ltd. (hereinafter referred to as "Global Solution"), and obtained shares of Global Solution at a conversion ratio of 24.99: 1. The company, Global Solution and its subsidiaries (hereinafter referred to as the "combined company") mainly engaged in the production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins and the sales of self-produced products. The company's stock has been traded in the Taipei Exchange since Apr. 29, 2011, and it was listed and traded in the Taiwan Stock Exchange Corporation since May 21, 2015.

The company's functional currency is New Taiwan Dollars.

II. Date and procedures of Authorization of Financial Statements

The consolidated financial reports were approved by the Board of Directors on Mar. 25, 2020.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) The company has adopted new issuance of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

With the exception of the following, the applicability of the aforementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and announced by the FSC should not result in major changes to the accounting policies of the combined company:

1. IFRS 16 "Leases"

IFRS 16 stipulates accounting treatments for the identification of lease agreements and lessors and lessees. It will replace IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", and related interpretations. Please refer to Note 4 for related accounting policies.

Definitions of leases

The combined company shall elect to determine whether contracts signed (or changed) after Jan. 1, 2019 are (or include) leases in accordance with IFRS 16. The lease contracts identified in accordance with IAS 17 and IFRIC 4 shall not be reassessed and shall be processed in accordance with transitional regulations in IFRS 16.

The combined company is the lessee.

The combined company shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheet except for leases of low-value asset and short-term leases which shall be recognized on a straight-line basis. On the consolidated statement of comprehensive income, the depreciation expenses on right-of-use asset and interest expenses computed by using effective interest method on the lease liability shall be presented separately. In the consolidated statement of cash flows, cash payments for principle portion of the of lease liabilities shall be classified in financing activities, whereas cash payments for interest portion of the of lease liabilities shall be classified in operating activities. Prior to the application of IFRS 16, expense for operating lease contracts were recognized as expense on a straight-line basis. The lease prepayments for the acquisition of land use rights in China are recognized in the prepaid lease payments. Cash flow from operating leases is shown in operating activities on the Consolidated Statement of Cash Flows. Contracts classified as finance leases are recognized as lease assets and lease payables in the consolidated balance sheet.

The combined company is expected to adjust the cumulative impact of the retroactive application of IFRS 16 to the retained earnings on Jan. 1, 2019, without recompiling the comparative information.

Current agreements processed as operating lease under IAS 17 will be discounted by the remaining lease payments at the lessee's incremental borrowing rate of interest on Jan. 1, 2019. All right-of-use assets will be measured as lease liabilities on that day with the recognized prepayment adjusted and the rent payable or amount payable. IAS 36 will be applicable to impairment assessment on all right-of -use assets recognized.

The combined company is eligible for application of the following practical expedients:

(1) Lease liabilities with reasonably similar characteristics under the same portfolio are measured at a single one discount rate.
(2) Lease terms that end before Dec. 31, 2019, will be treated as short-term leases.
(3) Original direct cost is not included in right-of-use asset measurement on Jan. 1, 2019.
(4) When measuring lease liabilities, decisions on lease terms are clarified after use.

For leases classified as finance lease under IAS 17 before, the carrying amount of the leased asset and the lease liability of Dec. 31, 2018 will be adopted as the carrying amount of the right-of-use asset and the lease liability on Jan. 1, 2019.

The weighted average incremental borrowing rate of interest applicable to lease liabilities recognized by the combined company on Jan. 1, 2019 was 4.04%. The difference between the amount of lease liabilities and the total amount of future minimum lease payments under non-cancellable operating leases on Dec. 31, 2018 is explained as follows:

Total amount of future minimum lease payments under non-cancellable operating leases on Dec. 31,	$ 109,342

2018	
Less: Short-term leases to which exemption is applicable	(771)
Undiscounted total amount total on Jan. 1, 2019	$ 108,571
Present value discounted at the incremental borrowing rate of interest on Jan. 1, 2019	$ 118,565
Plus: Extended lease options	6,238
Lease liabilities balance on Jan. 1, 2019	$ 124,803

Adjustments in assets, liabilities and equity on Jan. 1, 2019 due to the first-time adoption of IFRS 16 were as follows:

	Balance before adjustments of Jan. 1, 2019	First-time adoption adjustment	Adjusted balance as of Jan. 1, 2019
Prepayments	$ 2,251	($ 2,251)	$ -
Long-term prepaid lease payments	88,214	(88,214)	-
Right-of-use assets	-	215,268	215,268
Impact of assets	$ 90,465	$ 124,803	$ 215,268
Lease liabilities - current	$ -	($ 32,992)	($ 32,992)
Lease liabilities - non-current	-	(91,811)	(91,811)
Impact of liabilities	$ -	($ 124,803)	($ 124,803)

2. IFRIC 23 “Uncertainty over Income Tax Treatments”
   IFRIC 23 clarifies that when there is uncertainty about the tax treatment of the income, the combined Company must assume that the tax authorities will be able to take all relevant information for review. If it is decided that the tax treatment of its application is likely to be accepted by the tax authorities, the income, tax base, unused tax losses, unused tax credits and tax rates must be consistent with the tax treatment used in reporting the income tax. Otherwise, the combined company 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 predicts the resolution of the uncertainty. The combined company will reassess its judgments and estimates if facts and circumstances change.

(II) Applicable IFRSs endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC") in 2020

New Standards, Interpretations, and Amendments	Effective Date Issued by IASB
Amendment to IFRS 3 "Definition of a Business"	Jan. 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7	Jan. 1, 2020 (Note 2)

New Standards, Interpretations, and Amendments	Effective Date Issued by IASB
"Interest Rate Benchmark Reform"	
Amendment to IAS 1 and IAS 8 "Definition of Material"	Jan. 1, 2020 (Note 3)

Note 1: Corporate mergers with an acquisition date between the starting date of the annual report on Jan. 1, 2020 and assets acquired after this date shall be applicable to this amendment.

Note 2: This amendment shall apply retrospectively to the accounts in the fiscal years starting after Jan. 1, 2020.

Note 3: Accounts in the fiscal years starting after Jan. 1, 2020 shall be applicable to this amendment.

As of the date the consolidated financial reports were authorized for publication, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

(III) Standards issued by IASB but not yet endorsed by FSC

New Standards, Interpretations, and Amendments	Effective Date Published by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS17 "Insurance Contracts"	Jan. 1, 2021
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	Jan. 1, 2020

Note 1: Unless otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the fiscal year after the reporting period.

As of the date the consolidated financial reports were authorized for publication, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of Compliance

The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC that have entered into effect.

(II) Basis of Preparation

The consolidated financial reports were prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The company shall classify all other assets or liabilities that are not specified above as non-current.

(IV) Basis of Consolidation

The Consolidated Financial Report includes the financial reports of the company and its wholly owned subsidiaries. Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the combined company. In the Consolidated Financial Report, all intercompany transactions, account balances, income and expenses between the entities have been offset. A subsidiary's total comprehensive income is attributed to the shareholders of the company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change is effected in the ownership of the subsidiary, the combined company does not lose control of it and it will be treated as equity transaction. The carrying amounts of the combined company and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the company.

Please refer to Note 13, Attachment 7 and Attachment 8 for details, shareholding ratio, and business items of subsidiaries.

(V) Business combination

The acquisition method is applied to business combinations. Acquisition costs are listed in the period of its incurrence and service.

Goodwill is measured at the aggregate of the fair value of the consideration transferred, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed.

Where the acquirer holds non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation at the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. Other non-controlling interests are measured at fair value.

The combined company did not adopt the acquisition method to deal with business combinations done for organizational restructuring, but adopted the book value method.

(VI) Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity’s functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Except for the following items, foreign exchange differences arising from settlement or translation of monetary items are recognized in gain or loss in the year in which they arise.

Monetary items receivable or payable to foreign operating agencies whose settlement is currently neither planned nor likely to occur in the foreseeable future (thus forming part of the net investment in the foreign operating agency), such foreign exchange differences shall be recognized initially in other comprehensive income and reclassified from equity to gain or loss on disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in gain or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries and affiliated enterprises based or conducted in a country or currency other than the company's function currency) are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Where exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity and attributed to the proprietors of the company and non-controlling interests as appropriate.

(VII) Inventories

Inventories include raw materials, materials, work in progress and finished goods. The value of inventory shall be determined based on the cost and Net Realizable Value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Cost of inventory is calculated using weighted-average method.

(VIII) Investment in the affiliates

Affiliates are entities over which the combined company has significant influence but they are neither subsidiaries nor joint ventures.

The combined company follows equity method for investment in affiliates.

Under the equity method, the investment on affiliates is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's interest in gain and loss, shares in other comprehensive income and profit distribution by the affiliates. Also, the combined company's interest in affiliates and joint ventures are recognized in accordance with the shareholding ratio.

Any excess of acquisition cost over the combined company's share of an affiliate's or a joint venture's identifiable assets and liabilities measured at the fair value on the date of acquisition is recognized as goodwill. The goodwill shall be included in the carrying amount of the investment but not allowed for amortization. If the combined company's share of the net fair value of the identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized immediately in gain or loss.

When the combined company's share of loss derived from the investment of an affiliate equals or exceeds the combined company's interest (including the carrying amount of the investment and other long-term substantial interests in the affiliate's net asset in proportion to ownership percentage), the combined company shall cease recognizing losses further. The combined company only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payment on behalf of an affiliate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of the value in use and fair value less costs to sell) with its carrying amount. Any impairment loss will not be recognized as a charge against the carrying amount of an investment (including goodwill). Any reversal of the impairment loss shall be recognized after subsequent increases in the recoverable amount of investment.

Gain or loss in upstream and downstream transactions between the combined company and the affiliates or transactions between investees needs to be shown in the Consolidated Financial Report when not affecting the interests of the combined company or the affiliate.

(IX) Property, Plant and Equipment

Property, Plant and Equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and impairment.

Property, Plant and Equipment under construction are recognized at cost less accumulated impairment. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate Property, Plant and Equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

The depreciation of Property, Plant and Equipment is recognized on straight-line basis and each major part/component will be shown independently. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

When derecognizing Property, Plant and Equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in gain or loss.

(X) Goodwill

The value of goodwill received through business combination has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, the goodwill is distributed among various cash-generating units or cash-generating groups which the combined company hopes to derive benefit from the overall performance after business combination (hereinafter referred to as the "cash-generating units").

The cash-generating units that were allocated the goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill was obtained by the cash-generating unit through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit that received goodwill is lower than the carrying amount, the loss on impairment is added to the carrying cost of the unit that got goodwill allocation. The proportion of reduction in other carrying amounts of assets in the unit will be used to reduce the carrying cost of such asset. Any impairment loss is recognized directly as loss in the current period. Loss in impairment of goodwill cannot be reversed subsequently.

When disposing a certain operation within the cash-generating unit with amortized goodwill, the amount of goodwill related to the disposed operations is included in the carrying amount of the operations to determine the disposal of gain or loss.

(XI) Intangible assets

1. Intangible assets acquired separately
   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and loss. Amortization is recognized using the straight-line method. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.
2. Acquisition from business combinations
   Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately and are subsequently measured the same separately as intangible assets acquired separately.
3. Derecognition
   When derecognition of an intangible asset, the difference between the net proceed of disposal and the carrying amount of the asset is recognized in gain or loss for the period.

(XII) Impairment of tangible, intangible assets and contract costs

On each balance sheet date, the combined company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the combined company must determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the individual asset or recoverable amount of the cash generating unit is lower than the carrying amount, the carrying amount of the asset or of the cash generating unit will be reduced to the extent of recoverable amount and the impairment loss will be recognized in gain or loss.

The amount of the impairment loss on inventories, property, plant and equipment and intangible assets recognized due to customer contracts shall be recognized, firstly, in accordance with rules governing the impairment of inventory and the above rules governing the recognition of impairment. Secondly, where the carrying amount of the contract cost relevant assets exceeds the sum of the estimated balance that the relevant product or service is expected to be received minus relevant costs, such amount shall be recognized as impairment loss. Subsequently, the carrying amount of the contract cost relevant assets shall be accounted for in the cash-generating unit in which they belong in order to conduct impairment assessment on the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of an asset, the cash generating unit, or the contract cost-related asset is reversed to the extent not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost-related asset that had not been impaired in the previous years. The reversed impairment loss will be recognized in gain or loss.

(XIII) Financial instruments

Financial assets and liabilities will be recognized in the balance sheet when the combined company becomes a party to the contract of financial instrument.

When recognizing the original financial assets and liabilities, if they are not measured at fair value through profit or loss, it is assessed based on the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit and loss.

1. Financial assets

   Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

   (1) Measurement types

   The combined company holds financial assets that are classified as financial assets measured at amortized cost.

   Financial assets measured at amortized cost

   When the combined company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

   A. Held under a certain business model of which the objective of holding the financial assets is to collect contractual cash flows; and

   B. The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

   Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables and refundable deposits measured at amortized cost) are measured at the aggregate carrying amount of the financial asset after initial recognition and determined by using the effective interest method. Any foreign currency exchange gains and losses are recognized in gain or loss.

   Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

   A. The interest income of a credit-impaired financial asset purchased or provided for the founding is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

   B. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Cash equivalents include fixed deposits obtained within three months with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

(2) Impairment of financial assets and contract assets

On each balance sheet date, the combined company assesses the impairment loss of financial assets (including accounts receivable) and finance lease receivables measured at amortized cost based on expected credit losses.

Loss allowance shall be recognized for accounts receivable and finance lease receivable based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the original recognition. If there is no significant increase in risks, an allowance for expected credit loss shall be recognized based on a 12-month period. If the risks have increased significantly, loss allowance shall be recognized in the lifetime of such assets.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, without consideration of the collateral held, the combined company shall determined that a default of financial instrument has occurred if one of the following applies:

A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
B. Overdue for more than one year, unless there is reasonable evidence showing that a delayed basis of default is more appropriate.

The impairment loss of all financial assets is accrued from their carrying amount based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The combined company may only derecognize the financial assets when the contractual rights to the cash flow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

On derecognition of a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in gain or loss. On derecognition of a debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in gain or loss. When the company's equity instruments are measured at fair value through other comprehensive income, the accumulated gain or loss is transferred directly to retained earnings and is not reclassified to gain or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

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

Financial liabilities at fair value through profit or loss are designated as measured at fair value through profit or loss.

The combined company designated the financial liabilities as being measured at fair value through profit or loss in the original recognition in the following cases:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the key management personnel.
C. Designate the overall mixed (combined) contract containing one or more embedded derivatives.

Once designated as financial liabilities at fair value through profit or loss, its amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profit or loss, will only be reclassified to retained earnings when derecognizing such financial liabilities. Except for the interest accrued, which is recognized in financial costs, the changes in fair value of such liability are reported in other gains and losses. However, if change in fair value due to credit risk is recognized in other comprehensive income, its will cause or worsen the accounting mismatch, then such changes in fair value of the liability in its entirety shall be fully recognized in gain or loss.

Please refer to Note 35 for the methods in determining fair values.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in gain or loss.

3. Convertible bonds

Compound financial instruments issued by the combined company (convertible bonds) are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, fair value of the liability component is calculated by using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability amortized at effective interest method until extinguished upon conversion or the instrument's maturity date. The liability component of an embedded derivative instrument is measured at fair value.

Conversion option is the equity component of a compound financial instrument which is measured at the amount of the fair value of the overall compound instrument deducted by the fair value of the liability component. The amount of the conversion option net of tax is recognized as equity so is not subsequently remeasured. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issuance of the convertible bonds are divided into liability (list the carrying amount of liability) and equity (list in equity) components and in proportion to the respective values of the liability and equity components of the overall instrument.

(XIV) Revenue Recognition

After the combined company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

Revenue from sales of goods

Revenue is derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when it is sold, and bears the risk of loss or damage to it, the combined company recognizes the revenue and accounts receivable at that point.

(XV) Leases

2019

The combined company assesses whether a contract is (or contains) a lease on the execution date of the contract.

1. The combined company is a Lessor
   Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.
   When the combined company subleases the right-of-use asset, it determines the classification of the sublease by the right-of-use asset (not the underlying asset). However, if the main lease is a short-term lease where the recognition exemption is applicable for the combined company, the sublease is classified as an operating lease.
   Under finance leases, lease payments are fixed payments. Net lease investment is measured as the sum of the present value of lease receivables and unguaranteed residual value plus the original direct cost and expressed as finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return on the unexpired net lease investment of the combined company in each period.
2. The combined company is a Lessee
   A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.
   The right-of-use asset is initially measured at cost (including the original amount of the lease liability), and subsequently measured at the cost less accumulated depreciation and accumulated impairment losses, and the remeasurement of lease liabilities is adjusted. Right-of-use assets are expressed separately in the consolidated balance sheet.
   A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful lives, or to the end of the lease term, whichever is earlier.
   A lease liability is initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.
   Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the combined company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in gain or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

2018

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

1. The combined company is a Lessee

   Payment for operating leases are recognized as expenses during the lease period based on straight-line method.

2. Land and Building Leases

   When leases include land and building elements, the Company classifies them as finance or operating leases based on whether most risks and rewards from ownership of the elements have been transferred to the lessee. Minimum lease payments shall be apportioned to land and buildings in proportion to the fair value of land and building lease rights on the lease start date.

   If lease payments can be allocated reliably between these two elements, then each element is classified under relevant lease. If lease payments cannot be allocated reliably between the two elements, the entire lease is classified under finance lease. If both elements clearly meet the standards of operating leases, the entire lease is classified under operating lease.

(XVI) Government subsidies

Government subsidies are only recognized when they can be reasonably assured that the combined company will comply with the conditions imposed by government subsidies and that such subsidies will be recognized when received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the combined company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

(XVII) Employee benefits

1. Short-term employee benefits

   Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Benefits after retirement

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XVIII) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

   A tax is levied on the unappropriated earnings of the subsidiary in Taiwan pursuant to the Income Tax Act and is recognized as income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

   Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely to be taxable income for the deductible temporary differences or the carryforward of unused tax losses.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, except where the combined company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

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

If current income or deferred tax arises from business combination, tax effects are included in the accounting for business combination.

V. Significant accounting judgments and assumptions, and major sources of estimation uncertainty

When the combined company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

VI. Cash and cash equivalents

	Dec. 31, 2019	Dec. 31, 2018
Cash on hand and revolving funds	$ 1,339	$ 640
Checking accounts and demand deposits	910,415	549,652
Cash equivalents (investments with original maturity date of less than three months)		
Bank fixed deposit	30,578	-
	$ 942,332	$ 550,292

Bank Interest rates at the balance sheet date were categorized into different internals listed as follows:

	Dec. 31, 2019	Dec. 31, 2018
Bank deposits	0.0001%~0.35%	0.01%~0.33%
Fixed deposits	2.15%	-

VII. Financial instruments measured at fair value through profit or loss

	Dec. 31, 2019	Dec. 31, 2018
Financial liabilities – current		
Designation as at fair value through profit or loss		
Derivatives (hedge unspecified)-Redemption Option (Note 22)	$ 3,392	$ 910

VIII. Financial assets at amortized cost

	Dec. 31, 2019	Dec. 31, 2018
Current		
Domestic investment		
Bank deposits - restricted	$ 4,355	$ 3,842
Fixed deposits with original maturity over 3 months - restricted	75,081	-
	$ 79,436	$ 3,842

For details on pledges, please refer to Note 37.

As of Dec. 31, 2019, the annual rate of fixed deposits with original date due of more than three months is 2.25%.

IX. Credit Risk Management for Debt Instruments

All debt instruments invested by the combined company are financial assets measured at amortized cost.

Dec. 31, 2019

	Measured at amortized

	cost
Total carrying amount	$ 79,436
Loss allowance	-
Amortized cost	$ 79,436

Dec. 31, 2018

	Measured at amortized cost
Total carrying amount	$ 3,842
Loss allowance	-
Amortized cost	$ 3,842

To mitigate credit risk, the management of the combined company shall perform credit rating assessments to assess the default risk of debt instrument investment institutions. For credit rating items which lacks external rating information, appropriate internal rating shall be given by referencing public financial information. The combined company continuously tracks information such as material information from the financial institutions to monitor changes in the credit risk of the debt instruments it has invested in, and evaluates whether the credit risk of the debt instrument investments has increased significantly since its original recognition.

The combined company takes stock of the historical default records and current financial conditions of financial institutions provided by the internal credit rating team, so as to measure the 12-month expected credit loss or the lifetime expected credit loss of the debt instrument investment.

The combined company's current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

Credit Rating	Definition	Basis of Recognition of Expected Credit Losses
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses

The total book value of each credit rating debt instrument investment and the applicable expected credit loss rate are as follows:

Dec. 31, 2019

Credit Rating	Expected credit loss rate	Total carrying amount Measured at amortized cost
Normal	0%	$ 79,436

Dec. 31, 2018

Credit Rating	Expected credit loss rate	Total carrying amount Measured at amortized cost
Normal	0%	$ 3,842

X. Notes receivable, accounts receivable and other receivables

	Dec. 31, 2019	Dec. 31, 2018
Notes receivable		
Measured at amortized cost		
Total carrying amount	$ 4,684	$ 5,379
Less: Loss allowance	-	-
	$ 4,684	$ 5,379
Accounts receivable		
Measured at amortized cost		
Total carrying amount	$ 2,109,054	$ 2,118,093
Less: Loss allowance	(32,348)	(28,077)
Other comprehensive income measured at fair value	-	130,136
	$ 2,076,706	$ 2,220,152
Other receivables		
Others	$ 17,122	$ 17,828

Accounts receivable

(I) Accounts receivable measured at amortized cost

The average credit granting period for product sales of combined company is 150 days. The combined company adopts a policy of treating transactions with counterparties approved by the company's credit ratings assessment and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. The combined company shall use publicly obtainable financial information and past transaction records to grade main customers. The combined company continues to monitor credit risk exposure and the credit ratings of counterparties and distributes total transaction amounts among qualified customers only. It also manages credit risk exposure through reviews and credit line approval through the audit committee.

The combined company recognizes loss allowance for accounts receivable in accordance with lifetime expected credit loss. Lifetime expected credit losses are calculated based on the bad debt provision matrix which accounts for the customer's past default records, current financial status, and economic conditions in the industry. GDP forecasts and the outlook of the industry are also considered. The combined company separates individual customers into different risk groups and recognizes loss allowance based on the expected loss rate of each group.

The combined company has no notes receivable that are overdue but for which allowance has not been recognized as of the balance sheet date, and considering that no impairment has occurred in the past, the expected credit impairment loss rate of notes receivable is set at 0%.

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

Measurement of loss allowance for notes receivable and accounts receivable based on provisional matrix by the combined company is as follows:

Dec. 31, 2019

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~17.94%	0%~27.47%	9.09%~33.06%	14.29%~40.01%	25%~59.97%	28.31%~100%	25.83%~100%	
Total carrying amount	$ 1,882,993	$ 178,413	$ 18,494	$ 10,881	$ 882	$ 4,586	$ 17,489	$ 2,113,738
Loss allowance (lifetime expected credit loss)	(1,547)	(3,004)	(4,990)	(3,221)	(405)	(2,115)	(17,066)	(32,348)
Amortized cost	$ 1,881,446	$ 175,409	$ 13,504	$ 7,660	$ 477	$ 2,471	$ 423	$ 2,081,390

Dec. 31, 2018

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~4.7%	0%~5.43%	0%~11.56%	0%~19.88%	0%~26.32%	0%~49.69%	7.73%~100%	
Total carrying amount	$ 1,688,447	$ 458,183	$ 31,483	$ 42,054	$ 901	$ 6,619	$ 25,921	$ 2,253,608
Loss allowance (lifetime expected credit loss)	(1,271)	(3,721)	(1,884)	(1,216)	(18)	(1,039)	(18,928)	(28,077)
Amortized cost	$ 1,687,176	$ 454,462	$ 29,599	$ 40,838	$ 883	$ 5,580	$ 6,993	$ 2,225,531

Changes in loss allowance for accounts receivable are as follows:

	2019	2018
Opening balance	$ 28,077	$ 16,619
: Impairment loss recognized	5,673	12,011
: Amounts actual written off	(4)	-
Foreign currency translation differences	(1,398)	(553)
Balance at the end of the year	$ 32,348	$ 28,077

Compared with the opening balance, the total carrying value of accounts receivable in 2019 and 2018 experienced a net decrease of NT$139,175 thousand and a net increase of NT$420,329 thousand, respectively, and resulted in increases in the loss allowance of NT$5,673 thousand and NT$12,011 thousand, respectively. The increase in the loss allowance in 2019 was mainly due to the increase in the number of aging days of accounts receivable.

(II) Accounts receivable measured at fair value through other comprehensive income

For the larger amount of receivables, the combined company will decide whether to sell it to the bank without recourse depending on the conditions of the working capital. The combined company's business model for managing such accounts receivable is achieved by receiving contractual cash flows and selling financial assets. Therefore, such accounts receivables are measured at fair value through other comprehensive income.

XI. Finance lease receivables

The composition of finance lease receivables in 2019 is as follows:

	Dec. 31, 2019
Undiscounted lease payments	

Year 1	$ 6,381
Year 2	6,381
Year 3	6,381
Year 4	1,862
	21,005
Less: unearned finance income	(1,676)
Lease payment receivable	19,329
Net investment in a lease (expressed as finance lease receivables)	$ 19,329

The combined company sub-leased part of the leased plant in April, 2019 and received a fixed lease payment of NT$6,381 thousand per year. Since the remaining period of the main lease was fully sub-leased, it was classified as a finance lease.

The interest rate implicit in a lease during the lease period will not change after determination on the contract date. The interest rate implicit in the finance lease as of Dec. 31, 2019 is 5% per annum.

The combined company measures the loss allowance of finance lease receivables based on lifetime expected credit losses. Finance lease payment receivables are pledged by leased equipment. As of the balance sheet date, there were no overdue outstanding finance lease receivables. At the same time, considering counterparties' past default records, the future development of the relevant industry of the subject if the lease and the value of collateral, the combined company deemed that no impairment has occurred for the above financial lease payment receivable.

XII. Inventory

	Dec. 31, 2019	Dec. 31, 2018
Finished goods	$ 413,233	$ 518,020
Work-in-process	178,556	209,601
Raw material	144,929	172,899
	$ 736,718	$ 900,520

In 2019 and 2018, the cost of sales for inventories was NT$4,011,648 thousand and NT$4,757,020 thousand, respectively. The cost of sales includes inventory losses of NT$46,758 thousand and NT$11,583 thousand.

XIII. Subsidiaries

Subsidiaries included in the consolidated financial reports

The entities of the Consolidated Financial Report are as follows:

			Percentage of equity interest held		
Investor company	Name of subsidiaries	Business activities	Dec. 31, 2019	Dec. 31, 2018	Description
Lemtech Global Solution Co. Ltd.	Lemtech Global Solution Co. Ltd. (formerly Super Solution Co., Ltd., hereinafter referred to as "Global Solution")	Investment holding companies	100	100	On Nov. 23, 2009, all shares were obtained by a stock swap.
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, as well as sales of self-produced	0.2	0.2	Merged LDC Precision Engineering Co., Ltd (Kunshan) in on Mar. 17, 2010. (Note

	"Lemtech Precision Material")	products, etc.			2)
Lemtech Global Solution Co. Ltd.	Zhenjiang Emtron Surface Treatment Limited Company (hereinafter referred to as "Emtron Company")	Surface treatment of mechanical, electronic and automotive components	83.33	-	Investment funds were remitted on Jan. 22, 2019. (Note 3)
Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	57	-	Notes 1 and 4.
Lemtech Global Solution Co. Ltd.	Lemtech Cooling System Limited (hereinafter referred to as "Lemtech Cooling")	Investment holding companies	100	-	Established on Jun. 12, 2019, and funds remitted for the shares on Aug. 22, 2019. (Note 1)
Global Solution	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	99.8	99.8	Merged LDC Precision Engineering Co., Ltd (Kunshan) in on Mar. 17, 2010. (Note 2)
Lemtech Cooling	Lemtech Philippine Thermal System Inc. (hereinafter referred to as "Lemtech Philippine")	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	100	-	Established on Jul. 15, 2019, and funds remitted for the shares on Oct. 30, 2019. (Note 1)
Lemtech Cooling	Lemtech Energy Solutions Corporation (Taiwan) (hereinafter referred to as "Lemtech Energy Solutions Corporation", formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	100	-	Notes 5 and 6.
Lemtech Cooling	Kunshan Lemtech Electronics Technology Co., Ltd. (hereinafter referred to as "Lemtech Electronics Company")	R & D, manufacturing, and sales of self-produced electronic components, special electronic materials, and cooling modules; engaged in the production of the same products of the parent company and the wholesale, import and export of raw materials and mechanical equipment used by the parent company	100	-	Established on Oct. 9, 2019, and funds remitted for the shares on Dec. 3, 2019. (Note 1)
Lemtech Precision Material	LDC Precision Engineering Co., Ltd. (hereinafter referred to as "LDC Company")	Manufacture and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic machinery, automobiles and automotive parts, other optical and precision machinery	100	100	Established on May 10, 2010.
Lemtech Precision Material	Lemtech Technology Limited (hereinafter referred to as "Lemtech HK")	Sales of automotive, electronics and computer peripheral parts	100	100	Established on Apr. 9, 2014.
Lemtech Precision Material	Lemtech Precision Material (CZECH) s.r.o. (hereinafter referred to as "Lemtech CZ")	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	100	100	Operations began on Jan. 1, 2017. (Note 1)
Lemtech HK	Lemtech USA Inc. (hereinafter referred to as "Lemtech USA")	U.S. business development, business information collection, provision of market intelligence and industry information	100	100	Established on May 31, 2013. (Note 1)
Lemtech HK	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	-	57	Established on Dec. 17, 2015, and funds remitted for the shares on Apr. 12, 2016. (Notes 1 & 4)
LIS	Kunshan Lemtech Slide Technology Co., Ltd. (China) (hereinafter referred to as "Lemtech Slide Company")	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	100	100	Established on Jul. 21, 2016. (Note 1)

Notes:

1. Lemtech Philippine, Lemtech Electronics Company, Emtron Company, Lemtech Cooling, Lemtech Energy Solutions Corporation, Lemtech USA, Lemtech CZ, LIS, LDC Company, and Lemtech Slide Company are all non-essential subsidiaries. Except LDC Company, the financial reports of the

rest have not been audited by a certified public accountant; however, the management of the combined company deemed that the fact that the financial reports of the above-mentioned non-essential subsidiaries have not been audited by a certified public accountant would not resulted in significant differences.

2. The combined company introduced strategic shareholders to expand business in China. The board of directors resolved to sell 10% of the shares of Lemtech Precision Material, and completed the relevant equity transfer on Oct. 21, 2015. The board of directors resolved that Lemtech Global Solution Co. Ltd. shall reacquired 0.2% of the shares of the subsidiary Lemtech Precision Material and Global Solution acquired the 9.8% of the shares of the subsidiary Lemtech Precision Material on Sep. 28, 2018. For details on the relevant transactions, please refer to Note 32.
3. In order to continue to expand the production supply chain of automobile components in China and achieve stability and improve gross profit, the combined company signed a contract on Jan. 23, 2019 and paid the total transaction amount of NT$111,966 thousand, or US$3,640 thousand, to acquire 83.33% of the equity and debt of Emtron Company, which completed equity transfer on Jan. 23, 2019. For details on the relevant transactions, please refer to Note 31.
4. In accordance with the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted its investment structure in accordance with board resolution. In April, 2019, LIS held by Lemtech HK was assigned to be held by Lemtech Global Solution Co. Ltd.
5. Lemtech Cryomax System Corp. was established on Apr. 2, 2015. On Nov. 10, 2018, Global Solution acquired 50% of the equity of Lemtech Cryomax System Corp., and obtained a gain from a bargain purchase from Lemtech Cryomax System Corp. at NT$298 thousand. Participated in capital increase in cash in January, 2019, and the shareholding ratio remained unchanged after the capital increase. The company name was changed to Lemtech Energy Solutions Corporation since October 2019.
6. Corresponding to the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted the investment structure in accordance with board resolution, and assigned 50% of equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) held by Lemtech Global Solution Co. Ltd to Lemtech Cooling. And Lemtech Cooling shall acquire the remaining 50% equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.). Relevant contracts were executed on Jul. 1, 2019, and the total transaction amount of NT$30,000 thousand was paid and the equity transfers completed. For details on the relevant transactions, please refer to Note 31.

XIV. Investment using equity method

	Dec. 31, 2019	Dec. 31, 2018
Affiliates not individually significant		
Aapico Lemtech (I)	$ 32,923	$ 29,692
Lemtech Energy Solutions Corporation	-	3,810

(formerly Lemtech Cryomax System Corp.)
(II)

	$ 32,923	$ 33,502

(I) The combined company signed an investment agreement with Thai listed company Aapico Hitech Plc. (AH: TB) on Mar. 1, 2013, invested in cash, and jointly established Aapico Lemtech (Thailand) Co. on Mar. 1, 2013. , Ltd. (hereinafter referred to as "Aapico Lemtech"). In accordance with the company's operating plan, on Jun. 30, 2016, the combined company adjusted the equity held of Aapico Lemtech, the holding is assigned to Global Solution to Lemtech HK.

(II) The combined company adjusted the investment structure on Jul. 1, 2019. For details, please refer to Notes 13 and 6.

(III) The ratios of ownership, equities, and voting rights of the combined company in affiliate enterprises are as follows:

Name	Business activities	Principal place of business	Percentage of Ownership and Votes: Dec. 31, 2019	Percentage of Ownership and Votes: Dec. 31, 2018
Aapico Lemtech	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	Thailand	40%	40%
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	Taiwan	100% (Subsidiaries included in the consolidated financial reports)	50%

The gain and loss and other comprehensive income proportions of affiliates using the equity method in 2019 and 2018 were recognized and disclosed based on the financial report of the investee without CPAs' verification during the same period; however, the management of the combined company deemed that no significant influence will occur from the use of such financial reports.

For the information of the main business and products, main place of business and country registered for the aforementioned affiliates, please refer to Attachment 7, "Information of Invested Companies".

XV. Property, Plant and Equipment

	2019
For self-use	$ 1,808,305

(I) for self-use - 2019

	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
Cost									
Balance as of Jan. 1, 2019	$ -	$ 507,950	$ 852,434	$ 33,078	$ 40,452	$ 69,904	$ 362,046	$ 4,746	$ 1,870,610
Additions	444,705	68	94,666	1,544	2,631	14,419	20,851	23,972	602,856
Acquired through business combinations	-	150	40,471	918	269	-	3,786	-	45,594
Disposal	-	-	(63,186)	(2,602)	(4,622)	-	(7,246)	(90)	(77,746)
Reclassification	48,893	-	136,195	21	34	(405)	24,020	(4,872)	203,886
Net exchange differences	-	(18,860)	(35,098)	(1,251)	(1,405)	(2,616)	(12,319)	(177)	(71,726)
Balance as of Dec. 31, 2019	$ 493,598	$ 489,308	$ 1,025,482	$ 31,708	$ 37,359	$ 81,302	$ 391,138	$ 23,579	$ 2,573,474
Accumulated depreciation and impairment									
Balance as of Jan. 1, 2019	$ -	$ 64,297	$ 326,068	$ 18,851	$ 29,004	$ 31,775	$ 169,724	$ -	$ 639,719
Depreciation expense	-	25,151	96,918	4,313	3,773	9,864	57,042	-	197,061
Disposal	-	-	(35,745)	(1,395)	(3,017)	-	(3,252)	-	(43,409)
Reclassification	-	-	-	-	-	(56)	56	-	-
Net exchange differences	-	(2,975)	(14,477)	(763)	(1,085)	(1,448)	(7,454)	-	(28,202)
Balance as of Dec. 31, 2019	$ -	$ 86,473	$ 372,764	$ 21,006	$ 28,675	$ 40,135	$ 216,116	$ -	$ 765,169
Net balance as of Dec. 31, 2019	$ 493,598	$ 402,835	$ 652,718	$ 10,702	$ 8,684	$ 41,167	$ 175,022	$ 23,579	$ 1,808,305

In 2019, as there is no indicator of impairment, the combined company did not conduct impairment assessment.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	20 years
Machinery equipment	3 to 10 years
Office equipment	2 to 10 years
Transportation equipment	5 years
Leasehold improvements	1 to 5 years
Other Equipment	2 to 10 years

Please refer to Note 37 for the amount of property, plant and equipment pledged as collateral for borrowings.

(II) 2018

	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
Cost								
Balance as of Jan. 1, 2018	$ 488,017	$ 701,327	$ 28,941	$ 36,730	$ 29,994	$ 189,718	$ 6,508	$1,481,235
Additions	35,915	176,779	10,781	5,747	34,420	184,442	4,746	452,830
Disposal	-	(18,765)	(6,085)	(1,334)	-	(152)	-	(26,336)
Reclassification	(6,101)	7,146	-	-	6,101	(8,140)	(6,375)	(7,369)
Net exchange differences	(9,881)	(14,053)	(559)	(691)	(611)	(3,822)	(133)	(29,750)
Balance as of Dec. 31, 2018	$ 507,950	$ 852,434	$ 33,078	$ 40,452	$ 69,904	$ 362,046	$ 4,746	$1,870,610
Accumulated depreciation and impairment								
Balance as of Jan. 1, 2018	$ 39,767	$ 275,837	$ 21,249	$ 25,371	$ 27,896	$ 120,364	$ -	$ 510,484
Disposal	-	(16,323)	(6,063)	(1,327)	-	(150)	-	(23,863)
Reclassification	(153)	-	-	-	-	-	-	(153)
Depreciation expense	25,956	73,460	4,153	5,537	4,572	53,015	-	166,693
Net exchange differences	(1,273)	(6,906)	(488)	(577)	(693)	(3,505)	-	(13,442)
Balance as of Dec. 31, 2018	$ 64,297	$ 326,068	$ 18,851	$ 29,004	$ 31,775	$ 169,724	$ -	$ 639,719
Net balance as of Dec. 31, 2018	$ 443,653	$ 526,366	$ 14,227	$ 11,448	$ 38,129	$ 192,322	$ 4,746	$1,230,891

In 2018, as there is no indicator of impairment, the combined company did not conduct impairment assessment.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	20 years
Machinery equipment	5 to 10 years
Office equipment	5 years
Transportation equipment	5 years
Leasehold improvements	2 to 3 years
Other Equipment	2 to 5 Years

XVI. Lease Agreement

(I) Right-of-use assets - 2019

	2019
Carrying value of right-of-use assets	
Land use rights	$ 84,920
Building	143,859
Transportation Equipment	4,322
	$233,101
Addition to right-of-use assets	$ 41,610

Depreciation expenses of right-of-use

	2019
assets	
Land use rights	$ 2,224
Building	45,457
Transportation Equipment	1,653
	$ 49,334

The right-of-use asset includes long-term prepaid rent for leased land in China, and the combined company has obtained certificate for the land use rights of such land.

(II) Lease liabilities - 2019

	2019
Carrying amount of lease liabilities	
current	$ 47,803
noncurrent	$120,340

The discount rate intervals for lease liabilities are as follows:

	2019
Building	1.1%~7.42%
Transportation equipment	3.16%

(III) Important Leasing Activities and Terms

The combined company rent certain land, buildings, and transportation equipment as plant, office, and office use by employees. The lease period is 2 to 50 years. At the end of the lease term, the combined company has no preferential right to take over the leased building.

(IV) Sublease

For information on subleasing, please refer to Note 11.

(V) Other lease information

2019

	2019
Expense on leases of low-value assets	$ 6,950
Total cash outflow from lease	$ 57,408

The combined company choose to apply recognition exemptions to some buildings and transportation equipment that qualify as leases of low-value assets. Consequently, the combined company does not recognize any right-of-use assets or lease liabilities for the said leases.

2018

The total minimum future payable amount for operating leases that cannot be canceled are as follows:

	2018
Less than 1 year	$ 29,145
1 - 5 years	80,197
	$ 109,342

XVII. Goodwill

	2019

Cost	
Opening balance	$ -
Acquisition through business combinations for the current year (Note 31)	82,740
Net exchange differences	(353)
Balance at the end of the year	$ 82,387
Accumulated impairment losses	
Opening balance	$ -
Recognized Impairment of the Year	-
Balance at the end of the year	$ -
Net balance at the end of the year	$ 82,387

The combined company acquired Zhenjiang Emtron Surface Treatment Limited Company on Jan. 22, 2019, gained goodwill of NT$78,155, which is mainly due to the benefits expected from a stable production supply chain of automotive components in China.

The combined company acquired Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) on Jul. 1, 2019, gained goodwill of NT$4,585, which was mainly due to the benefits expected from the production and sales of server cooling products in Taiwan.

The company conducts impairment assessment on the recoverable amount of goodwill on the end of the annual financial reporting period, and conducts impairment tests when specific events or environmental changes indicate that goodwill may be impaired. When the combined company tests whether the goodwill is impaired, it uses the value in use as the basis for calculating the recoverable amount. The value in use calculation is based on cash flow forecasted by the company's financial forecasts for the next 5 years.

XVIII. Other Intangible Assets

	Computer software cost	Fair value of franchises and customer relationships	Total
Cost			
Balance as of Jan. 1, 2019	$ 45,758	$ -	$ 45,758
Separate acquisition	5,358	-	5,358
Reclassification	431	-	431
Acquired through business combinations	-	26,811	26,811
Disposal	(3,924)	-	(3,924)
Net exchange differences	(1,378)	-	(1,378)
Balance as of Dec. 31, 2019	$ 46,245	$ 26,811	$ 73,056
Accumulated amortization and impairment			
Balance as of Jan. 1, 2019	($ 23,124)	$ -	($ 23,124)
Amortization	(5,514)	(5,288)	(10,802)
Disposal	2,298	-	2,298

Net exchange differences	776	-	776
Balance as of Dec. 31, 2019	($ 25,564)	($ 5,288)	($ 30,852)
Net balance as of Dec. 31, 2019	$ 20,681	$ 21,523	$ 42,204
Cost			
Balance as of Jan. 1, 2018	$ 40,441	$ -	$ 40,441
Separate acquisition	5,976	-	5,976
Net exchange differences	(659)	-	(659)
Balance as of Dec. 31, 2018	$ 45,758	$ -	$ 45,758
Accumulated amortization and impairment			
Balance as of Jan. 1, 2018	($ 17,876)	$ -	($ 17,876)
Amortization	(5,632)	-	(5,632)
Net exchange differences	384	-	384
Balance as of Dec. 31, 2018	($ 23,124)	$ -	($ 23,124)
Net balance as of Dec. 31, 2018	$ 22,634	$ -	$ 22,634

Amortized expenses were calculated on a straight-line basis over estimated useful lives listed as follows:

Computer software	3 to 10 years
Fair value of franchises and customer relationships	5 years

XIX. Prepaid lease payment

	Dec. 31, 2018
Current	$ 2,251
Noncurrent	88,214
	$ 90,465

As of Dec. 31, 2018, out of all prepaid lease payments, the land use right of lands located in China was NT$90,465 thousand. The combined company has obtained all the land use right certificates.

XX. Other Assets

	Dec. 31, 2019	Dec. 31, 2018
Current		
Prepayments		
Prepayments for goods	$ 37,356	$ 6,022
Prepaid lease payment - current	-	2,251
Other prepayments	47,712	95,650
	$ 85,068	$ 103,923
Other current assets		
Temporary payment	$ 154	$ -
Payments for Other	1,893	3,147

	$ 2,047	$ 3,147

Noncurrent		
Prepayments for equipment	$ 41,228	$ 194,248
Refundable deposit	7,032	2,977
Prepaid lease payment - non-current	-	88,214
	$ 48,260	$ 285,439

XXI. Loans

(I) Short-term loans

	Dec. 31, 2019	Dec. 31, 2018
Unsecured loans		
Bank loans	$ 965,312	$ 1,009,466

The interest rates of the bank's revolving loans were 1.2% to 5.22% and 3.16% to 5.5% on Dec. 31, 2018 and 2019, respectively.

(II) Long-term loans

	Dec. 31, 2019	Dec. 31, 2018
Secured loans (Note 37)		
Bank loans (1)	$ 350,000	$ -
Less: Portion due within one year	-	-
Long-term loans	$ 350,000	$ -

1. The bank loans were secured by pledging the company's owned land as collateral (Note 37). The maturity date of the loan is May 31, 2022. As of Dec. 31, 2019 the effective annual interest rate is 1.47%. The combined company obtained a new bank loan of NT$350,000 thousand from Jan. 1 to Dec. 31, 2019. The purpose of this loan is mainly used to purchase land.

XXII. Corporate Bonds Payable

	Dec. 31, 2019	Dec. 31, 2018
unsecured convertible bonds	$ 595,000	$ 600,000
Less: Discount on corporate bonds payable	(14,399)	(23,522)
	$ 580,601	$ 576,478

Unsecured convertible bonds

The company issued 6 thousand units of unsecured convertible bonds in New Taiwan Dollars in Taiwan on Jul. 30, 2018 with a nominal amount of NT$100 thousand per unit and an interest rate of 0%, issued at a premium of 100.5% of the par value, or NT$600,000 thousand; the total amount received is NT$603,000 thousand.

(I) Holders of each unit of corporate bonds per unit have the right to convert to ordinary shares of the company at NT$220 per share, and the conversion period is from Oct. 31, 2018 to Jul. 30, 2021.

(II) Where the abovementioned corporate bonds are not converted during the conversion period, the outstanding corporate bonds will redeemed in cash at par value on Jul. 30, 2021.

(III) At the end of two years from the issuance date (Jul 30, 2020), bondholders have the right to sell the bonds back to the company at par value.

These convertible bonds include assets, liabilities and equity components; the equity component is recorded in capital surplus-stock options under equity. The equity component is initial recognized at the effective interest rate of 1.55%.

Issuance price (net of transaction costs of NT$5,383 thousand)	$ 598,455
Equity component (less the equity transaction cost of NT$242 thousand)	(25,738)
Liability component (less the liability transaction cost of NT$5,625 thousand)	572,717
Interest calculated at the effective interest rate of 1.55%	3,761
Liability component as of December 31, 2018	$ 576,478

Liability component as of Jan. 1, 2019	$ 576,478
Interest calculated at the effective interest rate of 1.55%	8,944
Corporate bonds converted into ordinary shares	(4,821)
Liability component as of Dec. 31, 2019	$ 580,601

As of December 31, 2019, corporate bonds with a nominal amount of NT$5,000 have been converted into 23,000 ordinary shares of the company.

XXIII. Notes payable and accounts payable

	Dec. 31, 2019	Dec. 31, 2018
Notes payable		
Arising from operations	$ 183,304	$ 300,787
Accounts payable		
Arising from operations	$ 1,466,225	$ 1,134,173

The average credit period for accounts payable is approximately 120 days, and interest is not added to accounts payable. The Group has established financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

XXIV. Other liabilities

	Dec. 31, 2019	Dec. 31, 2018
Current		
Other payables		
Equipment payment and construction payment payable	$ 10,616	$ 5,419
Payroll and bonus payable	87,445	76,131
Benefits payable	3,498	1,018

(Continued)

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	Dec. 31, 2019	Dec. 31, 2018
Remuneration payable to employees, directors and supervisors	32,246	32,986
Interest payable	4,160	3,789
Commissions payable	822	1,029
Customs and logistics fees payable	25,691	26,396
Others	26,484	53,642
	$ 190,962	$ 200,410

Other liability		
Temporary receipt	$ 7,036	$ 255
Others	8,109	7,148
	$ 15,145	$ 7,403

XXV. Equity

(I) Capital

Ordinary stock

	Dec. 31, 2019	Dec. 31, 2018
Authorized shares (in thousands shares)	100,000	100,000
Authorized capital stock	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousand shares)	47,472	39,541
Issued capital	$ 474,720	$ 395,411

The change in the company's equity is due to the conversion of some of the convertible bonds. For details, please refer to Note 22.

On Jun. 17, 2019, shareholders' meeting of the company resolve to convert the surplus of NT$79,082 thousand into capital, with a denomination amount of NT$10 per share. The capital increase base date was Aug. 21, 2018, and the paid-in capital after the capital increase is NT$474,720.

(II) Capital surplus

	Dec. 31, 2019	Dec. 31, 2018
May be used to cover deficiencies, to issue cash or to set aside capital.		
Impact of functional currency changes	($ 68,246)	($ 68,246)
Stock issuance premium	356,379	356,379
Premium on conversion of convertible bonds	394,236	389,635
Difference between the proceeds received from acquisition or disposal of shares to a subsidiary and its carrying amount	93,995	80,841

Not for any purpose		
Issuance of convertible bonds with recognized equity component	25,738	25,738
	$ 802,102	$ 784,347

Such capital surplus may be used to cover deficiencies or, in the absence of deficiencies, to pay out cash or to set aside capital, subject to a ratio of paid-up capital each year.

(III) Retained earnings and dividend policy

According to the company's articles of association, the laws and regulations of the Cayman Islands and listing regulations, in the case of a surplus in the company's annual final accounts, such surplus shall be first subject to taxation, reimbursement of accumulated deficit, followed by a provision for special reserve,if any. Unless the board of directors resolves to keep the remainder as retained earnings, any remainder may be distributed as stock dividend and cash dividend for the shareholders based on their shareholding ratios. Such distribution shall be proposed by the board of directors and submitted to the shareholders' meeting for resolution.

The company's dividend policy considers factors such as the company's stable growth, sustainable operation, capital requirements, sound financial structure, and maintenance of shareholders' equity. The total shareholder dividend shall be not less than 10% of the distributable surplus and may be distributed in stock or in cash, of which cash dividends shall account for no less than 50% of the total dividend distributed. If the company has incurred no loss, it may allocate all or part of the legal capital reserve and capital surplus in accordance with the laws or regulations of the competent authority in consideration of the company's financial, business and operating factors.

For distribution of dividends or bonuses in accordance with the preceding article, the company may, in accordance with the listing regulations, by resolution of the shareholders' meeting, issue all or a portion of the dividends and bonuses by issuing new shares; amounts less than one share may be distributed in cash.

For the valuation basis and actual distribution of the remuneration of employees and directors and supervisors, please refer to Note 27 (6) for remuneration of employees and directors and supervisors.

The company appropriates and reverses special reserve in accordance with the regulations in Jin-Guan-Zheng-Fa's Letter No. 1010012865 from the FSC and "Q&A on the Applicability of the Appropriation of Special Reserve after the Adoption of the International Financial Reporting Standards (IFRSs)".

The company held shareholders' meetings on Jun. 17, 2019 and Jun. 11, 2018. The distribution of earnings for 2018 and 2017 was resolved as follows:

	2018	2017
Special reserve	$ -	($ 15,425)
Cash dividend	$ 98,853	$ 98,853

Stock dividend	$ 79,082	$ -
Cash dividend capital bonus for each share (NT$)	$ 2.5	$ 2.5
Stock dividend capital bonus for each share (NT$)	$ 2	$ -

The company's proposal for distribution of earnings and dividend per share for 2019 was proposed by the board of directors on Mar. 25, 2019:

	2019
Special reserve	$ 54,849
Cash dividend	$118,680
Cash dividend capital bonus for each share (NT$)	$ 2.5

The distribution of earnings for 2019 is subject to the resolution of the shareholders' meeting to be held on June 15, 2020.

(IV) Special reserve

	2019	2018
Opening balance	$ 13,500	$ 28,925
Reversal of special reserve		
Reversal on deduction of other equity items	-	(15,425)
Balance at the end of the year	$ 13,500	$ 13,500

(V) Non-controlling interests

	2019	2018
Opening balance	$ 16,481	$ 144,700
Net profit for the period	2,892	22,929
Other comprehensive income for the year		
Exchange differences on translation of foreign financial statements	210	(2,743)
Acquisition of non-controlling interests in Lemtech Precision Material (Note 32)	-	(148,405)
Acquisition of non-controlling interests in subsidiaries Emtron Company (Note 33)	(2,411)	-
Balance at the end of the year	$ 17,172	$ 16,481

XXVI. Revenue

	2019	2018
Revenue from contracts with customers		
Revenue from sales of goods	$ 5,042,657	$ 6,043,090

(I) Revenue from the sale of goods

Revenue from sales of goods derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the combined company recognizes the revenue and accounts receivable at that point.

(II) Contract Balance

	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018
Notes receivable	$ 4,684	$ 5,379	$ 25,076
Accounts receivable	2,076,706	2,220,152	1,811,281
	$ 2,081,390	$ 2,225,531	$ 1,836,357
Contract liabilities - Current	$ 79,408	$ 66,510	$ 45,644

(III) Disaggregation of Revenue from Customer Contracts

For details of the disaggregation of revenue, please refer to Note 43.

XXVII. Continuing Operations Net Profit

(I) Other income

	2019	2018
Interest income		
Bank deposits	$ 7,165	$ 10,268
Net lease investment	737	-
	7,902	10,268
Subsidy income	6,365	13,500
Others	765	2,531
	$ 15,032	$ 26,299

(II) Other gains and losses

	2019	2018
Financial assets and financial liabilities		
Financial liability at fair value through profit or loss	($ 2,489)	($ 1,990)
Gains on disposal of affiliates	2,163	-
Foreign exchange loss - net	(3,032)	(49,300)
Gain (loss) from disposal of property, plant, and equipment	592	(527)
Others	(10,693)	(7,268)
	($ 13,459)	($ 59,085)

(III) Financing costs

	2019	2018
Interest on bank loans	($ 43,747)	($ 41,881)
Interest on convertible bonds	(8,944)	(3,761)
Interest on lease liabilities	(6,228)	-
	($ 58,919)	($ 45,642)

(IV) Depreciation and amortization

	2019	2018
Depreciation expenses summarized by function		
Operating costs	$ 173,869	$ 96,875
Operating expenses	72,526	69,818

	$ 246,395	$ 166,693

Amortized cost summarized by function		
Operating costs	$ 201	$ 111
Operating expenses	10,601	5,521
	$ 10,802	$ 5,632

(V) Employee benefits

	2019	2018
Short-term employee benefits	$ 568,756	$ 610,857
Benefits after retirement		
Defined contribution plans	21,473	24,157
Total employee benefit expenses	$ 590,229	$ 635,014

Summarized by functions		
Operating costs	$ 271,367	$ 320,597
Operating expenses	318,862	314,417
	$ 590,229	$ 635,014

(VI) Remuneration for employees, directors and supervisors

Based on the company's article of association, more than 0.5% and less than 2 % of the current year's pre-tax profit shall be allocated as remuneration for employees, directors and supervisors. Remunerations for employees, directors and supervisors for 2019 and 2018 were resolved by the board of directors on Mar. 25, 2020 and Mar. 27, 2019, respectively.

Estimated ratio

	2019	2018
Remunerations for employees	1%	0.5%
Remuneration for directors and supervisors	1%	1%

Amount

	2019	2018
	Cash	Cash
Employee Bonus	$ 2,648	$ 1,946
Remuneration for directors and supervisors	2,648	3,892

If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial reports of the following year.

Remunerations for employees, directors and supervisors for 2017 and 2018 were resolved by the board of directors on Mar. 27, 2019 and Mar. 22, 2018, respectively.

	2018	2017
	Cash	Cash
Remunerations for employees	$ 1,946	$ 1,510

Remuneration for directors and supervisors	3,892	1,922

The company convened the board of directors on May 24, 2018 and adjusted remuneration distribution ratio. Thus actual distribution amount of remuneration for employee, directors and supervisors was different from the recognized amount in the annual consolidated financial report. The difference was adjusted to the gain and loss for 2018.

	2017	
	Remunerations for employees	Remuneration for directors and supervisors
Amounts approved by resolution of the board	$ 1,510	$ 824
Amount recognized in the annual financial statements	$ 1,510	$ 1,922

There is no difference between the actual distribution amount of remuneration for employees, directors and supervisors in 2018 and the amount recognized in the 2018 consolidated financial report.

Please refer to the "Market Observation Post System" of Taiwan Stock Exchange for information on the company's remuneration for employee and for Directors and Supervisors by resolution of the board in 2019 and 2018.

(VII) Gains (losses) on currency exchange

	2019	2018
Total currency exchange gains	$ 94,020	$ 139,532
Total currency exchange losses	(97,052)	(188,832)
Net (loss) gain	($ 3,032)	($ 49,300)

XXVIII. Income tax of continuing operations

(I) Main composition of income tax expenses recognized in gain or loss

	2019	2018
Current tax		
Generated in the current year	$ 62,235	$ 51,694
Additional tax on undistributed earnings	1,096	-
Adjustments from the previous years	(10,591)	(4,451)
	52,740	47,243

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	2019	2018
Deferred income tax		
Generated in the current year	(418)	42,882
Undistributed earnings of subsidiaries	22,197	47,729
Changes in tax rates	-	(1,093)
	21,779	89,518
Income tax expenses recognized in gain or loss	$ 74,519	$136,761

Adjustments for accounting income and income tax expenses are as follows:

	2019	2018
Net income before taxes from continuing operations	$336,858	$542,164
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	$ 63,074	$ 92,676
Non-deductible expenses	566	416
Effects on the deferred income tax of subsidiaries' earnings	22,197	47,729
Additional tax on undistributed earnings	1,096	-
Unrecognized deductible temporary difference	(3,423)	650
Tax rate variation	-	(1,093)
Others	1,600	834
Adjustments on income tax of prior periods	(10,591)	(4,451)
Income tax expenses recognized in gain or loss	$ 74,519	$136,761

The tax rate applicable to Long Dachang Company, a subsidiary of the combined company, is 20%; the Chinese subsidiary of the combined company, Liande Fine Materials Co., Ltd., obtained the local government's high-tech enterprise certificate on November 30, 2016, and enjoys a 15% preferential tax rates between 2016 and 2019.

(II) Income tax assets and liabilities

	Dec. 31, 2019	Dec. 31, 2018
Current income tax assets		
Tax Refund Receivable	$ 13	$ 31
Current income tax liabilities		
Income Tax Payable	$ 26,001	$ 13,318

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2019

	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year

Deferred income tax assets					
Temporary differences					
Allowance for inventory valuation loss	$ 4,595	$ 3,019	$ -	($ 244)	$ 7,370
Allowance for doubtful accounts	4,098	436	-	(162)	4,372
Recognition of foreign investment gains and losses by equity method	8,784	(8,679)	-	(105)	-
Unrealized gains and losses	-	545	-	-	545
Deductible loss	869	311	-	-	1,180
Others	2,501	14	-	(610)	1,905
Subtotal of deferred income tax assets	$ 20,847	($ 4,354)	$ -	($ 1,121)	$ 15,372

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Deferred income tax liabilities	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
Temporary differences					
Recognition of investment gains and losses by foreign equity method	$ 87,125	($ 5,190)	$ 1,933	($ 3,169)	$ 80,699
Unrealized gain or loss	454	(454)	-	-	-
Allowance for doubtful accounts	12	-	-	-	12
Others	120,569	23,069	-	(4,216)	139,422
Subtotal of deferred income tax liabilities	$ 208,160	$ 17,425	$ 1,933	($ 7,385)	$ 220,133

2018

Deferred income tax assets	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
Temporary differences					
Allowance for inventory valuation loss	$ 3,903	$ 784	$ -	($ 92)	$ 4,595
Allowance for doubtful accounts	2,491	1,690	-	(83)	4,098
Recognition of investment gains and losses by foreign equity method	3,026	5,934	-	(176)	8,784
Unrealized gain or loss	1,201	(1,201)	-	-	-
Deductible loss	4,089	(3,220)	-	-	869
Others	2,486	67	-	(52)	2,501
Subtotal of deferred income tax assets	$ 17,196	$ 4,054	$ -	($ 403)	$ 20,847

Deferred income tax liabilities	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
Temporary differences					
Recognition of foreign investment gains and losses by equity method	$ 104,376	($ 17,507)	$ 434	($ 178)	$ 87,125
Unrealized gains and losses	-	454	-	-	454
Allowance for doubtful accounts	-	12	-	-	12
Others	7,065	110,613	-	2,891	120,569
Subtotal for deferred income tax liabilities	$ 111,441	$ 93,572	$ 434	$ 2,713	$ 208,160

(IV) Income tax approval status

For business income tax returns of LDC Company, part of the combined company, the filed cases before the year 2017 have been approved by the tax collection authority.

XXIX. Earnings per share

Unit: NT$ per share

	2019	2018
Basic earnings per share		
Total basic earnings per share	$ 5.47	$ 8.06
Diluted earnings per share		
Total diluted earnings per share	$ 5.35	$ 7.91

When calculating earnings per share, the impact of the issuance of bonus shares has been retroactively adjusted, the base day of which was August 21, 2019. Due to the retroactive adjustment, changes in the basic and diluted earnings per share in 2018 are as follows:

Unit: NT$ per share

	Before retrospective adjustment	After retrospective adjustment
Basic earnings per share	$ 9.67	$ 8.06
Diluted earnings per share	$ 9.49	$ 7.91

For the calculation of earnings per share and the weighted average number of ordinary shares are as follows:

Net profit for the period

	2019	2018
Net profit attributable to owners of the Company	$ 259,447	$ 382,474
Net profit used in calculating basic earnings per share	$ 259,447	$ 382,474
Impact on ordinary shares with dilutive effect:		
after-tax interest on convertible bonds	8,944	3,761
Net profit used in calculating diluted earnings per share	$ 268,391	$ 386,235

Number of shares

Unit: Thousand shares

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	47,467	47,449
Impact on ordinary shares with dilutive effect:		
Convertible bonds	2,705	1,390
Employee remuneration	24	15
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	50,196	48,854

If the combined company chooses to offer employees remuneration by way of shares or cash, then while calculating the diluted earnings per share, assuming that the remuneration is paid in the form of stocks, the potential ordinary shares with dilutive effect will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of such potential ordinary stocks shall continue to be considered when calculating the diluted earnings per share before resolving the number of stocks to be distributed as employee compensation in the following year.

XXX. government subsidies

The combined company obtained subsidies for patents of NT$6,365 thousand and NT$13,500 thousand from the Kunshan Municipal People's Government in 2019 and 2018. In 2019 and 2018, the amounts were recognized in other income at NT$6,365 thousand and NT$13,500 thousand.

XXXI. Business Combination

(I) Acquisition of subsidiaries

Main operating activities	Date of	Ownership interest	Transfer

		Acquisition	with voting power/Acquisition percentage (%)	consideration
Emtron Company	Surface treatment of mechanical, electronic and automotive components	Jan. 22, 2019	83.33%	$ 111,966
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	Jul. 1, 2019	100%	$ 30,000

The combined company's acquisition of Lianchuang Company and Liande Kinetic Company in 2019 respectively in order to continuously expand the combined company's stable operation of the production and supply chain of automotive parts in China and server cooling products manufacturing and sales operations in Taiwan.

(II) Transfer consideration

	Lemtech Energy Solutions Corporation	Emtron Company
Cash	$ 15,000	$111,966
Investment accounted for using equity method	15,000	-
	$ 30,000	$111,966

(III) Assets acquired and liabilities assumed on acquisition date

	Lemtech Energy Solutions Corporation	Emtron Company
CURRENT ASSETS		
Cash and cash equivalents	$ 4,710	$ 1,722
Accounts receivable and other receivables	11,096	13,619
Prepayments	458	895
Inventory	9,377	1,630
Prepaid expenses	-	1,983
NON-CURRENT ASSETS		
Property, plant, and equipment	4,138	41,456
Intangible assets	-	26,811
Long-term unamortized expenditures	-	2,405
Right-of-use assets	508	68,577
Other non-current assets	1,213	-

CURRENT LIABILITIES		
Accounts payable and other payables	($ 5,505)	($ 38,946)
Lease liabilities	(510)	(6,338)
Other current liabilities	(33)	-
NON-CURRENT LIABILITIES		
Long-term loans	-	(66,036)
Lease liabilities	-	(62,239)
Other non-current liabilities	(37)	-
	$ 25,415	($ 14,461)

(IV) Non-Controlling Interests

Emtron Company's non-controlling interest (16.67% of ownership interest) is measured in accordance with the identifiable assets entitled for the share of non-controlling interest on the acquisition date.

(V) Goodwill arising from the acquisition

	Lemtech Energy Solutions Corporation	Emtron Company
Transfer consideration	$ 15,000	$ 111,966
Investment accounted for using equity method	15,000	-
Plus: Fair value of identifiable net assets acquired	-	14,461
Minus: Fair value of identifiable net assets acquired	(25,415)	-
Long-term liabilities paid for others	-	(45,861)
Obtained negative value of non-controlling interests (16.77% ownership interest in Emtron Company)	-	(2,411)
Goodwill arising on acquisition	$ 4,585	$ 78,155

The goodwill arising from the acquisition of Lemtech Energy Solutions Corporation and Emtron Company mainly comes from controlling the premium. In addition, the consideration paid for the business combination includes the expected overall effect of the business combination, profit growth, future market development, and value of employee of Lemtech Energy Solutions Corporation and Emtron Company. However, such benefits do not meet the recognition criteria for an intangible asset, thus they are not separately recognized.

Goodwill arising from the business combination is not expected to be a tax deduction item.

(VI) Net cash inflow from acquisition of subsidiary

	Lemtech Energy Solutions Corporation	Emtron Company

	2019	2018
Consideration paid in cash	$ 15,000	$111,966
Less: Cash and cash equivalents acquired	(4,710)	(1,722)
	$ 10,290	$110,244

XXXII. Equity transactions with non-controlling interests

In September 2018, the combined company and Global Solution obtained the remaining 0.2% and 9.8% equity from the external shareholders other than Lemtech Precision Material, and the prices were NT$1,412 thousand and NT$77,244 thousand, respectively. After the purchase of equity, the entire combined company's shareholding ratio increased from 90% to 100%, held by Lemtech Holdings Co., Limited and Global Solution respectively at 0.2% and 99.8%. the combined company over the subsidiaries, the combined company will treat such transactions as equity transactions. The adjustment for the difference arising from the equity transaction increased the capital reserve by NTD 79,798 thousand.

As the above-mentioned transactions did not change the control over such subsidiaries, the Company treated the transactions as equity transactions.

	Subsidiary Lemtech Precision Material
	2018
Cash consideration paid	($ 78,656)
The amount of non-controlling interest that shall be transferred in accordance with the changes in equity out of the carrying amount of net assets of the subsidiaries	148,405
Adjustment of other equity items attributable to owners of the company	
－Exchange differences on translation of foreign financial statements	10,049
Difference in equity transactions	$ 79,798

Equity transaction balance adjustment	Liande Precision Materials Subsidiary 2018
Capital reserve - Difference in the share price and nominal value of the acquired or disposed shares of subsidiaries	$ 79,798

XXXIII. Cash flow information

(I) Non-cash transactions

In 2019 and 2018, the combine company conducted the following investments and financing activities in non-cash transactions:

The adjustment of cash payments for the purchase of real property, plant and equipment is as follows:

	2019	2018

Added this year (including prepayment for equipment)	$ 602,856	$ 366,468
Reclassification of molds on inventory	-	7,216
Changes in equipment payments and construction payments payable	(5,197)	2,751
Cash amount paid for procurement of property, plants and equipment	$ 597,659	$ 376,435

(II) Changes in liabilities from financing activities

2019

	Jan. 1, 2019	Cash flow	Changes in non-cash flow: New lease	Changes in non-cash flow: Others	Dec. 31, 2019
Short-term borrowing	$ 1,009,466	($ 44,154)	$ -	$ -	$ 965,312
Lease liabilities (Note 3)	124,803	(50,458)	41,610	52,188	168,143
	$ 1,134,269	($ 94,162)	$ 41,610	$ 52,188	$ 1,133,455

2018

	Jan. 1, 2018	Cash flow	Non-cash flow: New lease	Non-cash flow: Others	Dec. 31, 2018
Short-term loans	$ 1,535,622	($ 526,156)	$ -	$ -	$ 1,009,466

XXXIV. Capital risk management

The combined company manages its capital based on the policy to ensure the continual operations of the entities in the combined company. By optimizing its debts and liabilities, the combined company can maximize return for stakeholders.

The combined company's capital structure consists of net debts (i.e. loans and corporate bonds less cash and cash equivalents) and equities (i.e. equity, capital reserve, retained earnings, and other equity).

The combined company is not subject to any other external capital requirements.

The combined company's management periodically reassesses the combined company's capital structure; the inspection items include capital costs of various categories and related risks. The combined Company will distribute dividend, issue new stocks and new debts, repurchase shares, or repay old debts among other methods to balance its overall capital structure (in accordance with the recommendations of its management).

XXXV. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value

The combined company's financial assets and financial liabilities whose carrying amounts are not measured at fair value are close to their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

Dec. 31, 2019

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss (FVTPL)				
Corporate bonds payable redemption rights	$ -	$ -	$ 3,392	$ 3,392

Dec. 31, 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss (FVTPL)				
Paying corporate bonds	$ -	$ -	$ 910	$ 910

In 2019, no transfers between Level 1 and 2 fair value measurement occurred.

2. Reconciliation of financial instruments at Level 3 fair value measurement

2019

	Derivatives instruments
Financial liabilities at fair value through profit or loss (FVTPL)	
Opening balance	($ 910)
Recognized in gain or loss (other gains and losses)	(2,489)
Disposal/settlement	7
Balance at the end of the year	($ 3,392)
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gains or losses.	($ 2,489)

2018

	Derivatives instruments
Financial liabilities at fair value through profit or loss (FVTPL)	
Opening balance	$ -
Recognized in gain or loss (other gains and losses)	(1,990)
Addition	1,080
Balance at the end of the year	($ 910)
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gain or loss	($ 1,990)

3. The Valuation Technique and Input Value of the Fair Value Measurement of Level 3

The redemption right of corporate bonds payable assumes that the corporate bonds will be redeemed on Jul. 30, 2021. The discount rate adopted is based on government bonds with a similar issue date and duration plus credit risk premium.

(III) Classification of financial instruments

	Dec. 31, 2019	Dec. 31, 2018

Financial assets		
Financial assets measured at amortized cost (Note 1)	$ 3,146,641	$ 2,800,470
Financial liabilities		
Measured at fair value through gain or loss		
Designation as at fair value through profit or loss	3,392	910
Valuation of cost after amortization (Note 2)	3,743,292	3,221,314

Note 1: The balances include cash and cash equivalents, accounts receivable, notes receivable, other receivables, finance lease receivables and refundable deposits, which are measured at amortized cost.

Note 2: The balances include financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables, long-term loans, corporate bonds payable, and guarantee deposits.

(IV) Objectives and policies of financial risk management

The main financial instruments of the combined company include cash and cash equivalent, accounts receivable, accounts payable, corporate bonds payable and loans. The financial management department of the combined company provides services to the business units, including coordinating operations in the domestic and international financial markets, and managing financial risks relating to the operations of the combined company based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk. The board of directors manages the overall risk, and its purpose is to minimize the potential adverse impact on the company's financial performance as much as possible.

1. Market risks

   The combined company’s activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

   The management and measurement of market risks of financial instruments and risk exposure of the combined company remain unchanged.

   (1) Foreign currency exchange risk

   The combined company mainly operates in China and Taiwan and is exposed to foreign exchange risks arising from various currency risks. The combined company monitors changes in foreign currency exchange rates to ensure that its risks are minimized.

   For the carrying amounts of the combined company's monetary assets and monetary liabilities denominated in non-functional currency on the consolidated balance sheet date (including monetary items that are written off in the consolidated financial statements), please refer to Note 41.

Sensitivity analysis

The combined company is mainly impacted by the exchange rate fluctuations in USD.

The following table includes the sensitivity analysis of the combined company's financial position under circumstances that the exchange rate of a foreign currency to NTD (the function currency) increases or decreases by 1%. The hypothetical increase of 100 basis point (1%) in exchange rates is used in the Management's internal sensitivity analysis report on currency exchange risks; it also reflects the reasonable range of change in exchange rates the management believes would be. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. The amount in the attachment below indicates that when the NTD appreciates by 1% against the relevant foreign currency, the impact on net profit before tax will be increased. When NTD depreciates by 1% against the relevant foreign currency, the net profit before tax effects will be the same negative amount.

	Impact of USD	
	2019	2018
Increase in net profit before tax	$ 1,387	$ 4,532

The impact on pre-tax net profit is mainly due to the outstanding accounts receivable and accounts payable denominated in U.S. dollar and for which cash flow hedge has not been adopted on the combined company's balance sheet date.

(2) Interest rate risk

Significant interest-bearing assets and liabilities of the combined company are regularly renegotiated. The combined company's cash flow is exposed to interest rate risk for holding floating rate term bank deposits and loans.

The carrying value of financial assets and liabilities exposed to interest rate risk of the combined company on the balance sheet date are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Interest rate risks with cash flow		
－Financial assets	$ 1,020,429	$ 553,494
－Financial liabilities	1,895,913	1,585,944

Sensitivity analysis

The main interest rate risk of the combined company is bank deposits, financial assets and loans measured at amortized cost.

Sensitivity analysis of circumstances when interest rates increase/decrease by 0.5% is used as to report changes in exchange rate risk to internal management.

Sensitivity analysis refers to the interest-bearing items held by the combined company and affected by interest rate fluctuations of 0.5% at the end of the period. The positive numbers in the following summary table indicate that when the benchmark interest rate rises by 0.5%, in the case where other conditions remain unchanged, how much the net profit before tax for the current period will increase.

	Impact of rising interest rates	
	2019	2018
Increase in net profit before tax	($ 4,377)	($ 5,162)

2. Credit risk

   Credit risks refer to risks that cause financial loss of the combined company due to the counterparty's delay in performing contractual obligations. Due to the nature of the industry in which it operates, the combined company has no significant concentration of credit risk.

   The combined company has formulated a policy that when assessing the credit line granted to customers, it must obtain appropriate financial information from customers to conduct credit ratings of customers to ensure that sales services do not generate significant credit risk.

   The maximum amount of credit risk of the combined company is the net amount of the carrying amount of financial assets after deducting the amounts that can be offset according to regulations and the impairment losses recognized in accordance with regulations without considering collateral and other credit enhancement policies.

   The main objects of the accounts receivable and other receivables of the combined company are foreign-funded enterprises established in China and internationally renowned manufacturers. The credit risk management and impairment status are detailed in Note 10.

   The bank deposits of the combined company and other investment in financial assets are mainly deposited in banks with good credit ratings assigned by international credit rating agencies, so this credit risk is not significant.

3. Liquidity risk

   The combined company supports its business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The combined company's management supervises bank financing conditions and ensures compliance with loan contracts.

   The bank loans are a significant source of liquidity for the combined company. Please refer to (2) Financing limit below for the unfunded financing amount of the combined company as of Dec. 31, 2018 and 2019.

(1) Liquidity and interest rate risk of non-derivative financial liabilities

Dec. 31, 2019

	Within 1 year	1 to 5 years	More than 5 years
Floating Rate Instruments-Borrowing	$ 965,312	$ 350,000	$ -
Lease liabilities	47,803	104,827	15,513
Fixed rate instruments-corporate bonds	-	595,000	-
	$1,013,115	$1,049,827	$ 15,513

Further information on the maturity analysis of lease liabilities is listed as follows:

	Within 1 year	1 - 5 years	More than 5 years
Lease liabilities	$ 55,398	$ 116,673	$ 16,002

Dec. 31, 2018

	Within 1 year	1 to 5 years	More than 5 years
Floating Rate Instruments-Borrowing	$1,009,466	$ -	$ -
Fixed rate instruments-corporate bonds	-	600,000	-
	$1,009,466	$ 600,000	$ -

(2) Credit limit

	Dec. 31, 2019	Dec. 31, 2018
Unsecured bank loan limit		
—Amount used	$ 965,312	$ 1,009,466
—Amount unused	2,396,901	2,787,465
	$ 3,362,213	$ 3,796,931
Secured bank credit limit		
—Amount used	$ 350,000	$ -

(V) Information on transfers of financial assets

Relevant information of the company's sale of accounts receivable is as follows:

2019: None.

2018

Counterparty	Factoring amount for the current period	Received amount for the current period	Amount drawn in advance as end of the current period	Annual interest rate of advance amounts (%)	Credit Limit
Cathay United Bank	$ 985,468	$ 855,332	$ 704,179	3.23%~4.1%	$ 1,842,900 (USD 60,000)

XXXVI. Related party transactions

All transactions, account balances, income and expenses between the company and its subsidiaries (related parties of the company) are fully offset by intercompany netting and therefore are not shown in this Note. In addition to those disclosed in other Notes, the transactions between the combined company and other related parties are as follows.

(I) The names and relations of related parties

Name of related party	Relationship with the combined company
Aapico Lemtech	Affiliates
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Affiliated companies (held 100% after acquisition on Jul. 1, 2019)

(II) Operating revenue

Accounting item	Category of related parties	2019	2018
Sales	Affiliates	$ 9,582	$ 6,788

There are no significant differences between the terms and conditions of sales and collection for related parties and that of general transactions.

(III) Purchase

Category of related parties	2019	2018
Affiliates	$ 14,500	$ 5,443

There are no significant differences between the terms and conditions of purchase and payment for related parties and that of general transactions.

(IV) Accounts receivable from related parties (excluding loans extended to related parties and contract assets)

Accounting item	Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable	Affiliates	$ 667	$ 235

For related parties for whom outstanding guarantee had not been sought, loss allowance has not been recognized for accounts receivables of related parties on Dec. 31, 2018 and 2019.

(V) Accounts payable - related party (excluding borrowings from related parties)

Accounting item	Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Accounts payable	Affiliates	$ -	$ 5,684

(VI) Advance receipts

Category of related parties	Dec. 31, 2019	Dec. 31, 2018
Affiliates	$ -	$ 1,193

(VII) Endorsements and Guarantees

Please attach Schedule II in detail.

(VIII) Remuneration and bonuses of key management personnel

	2019	2018
Short-term employee benefits	$ 41,616	$ 32,329

The remuneration for directors and other key management is determined by the remuneration committee based on personal performance and market trends.

XXXVII. Pledged assets

The following assets have been provided as security for the collateral for financing borrowings:

	Dec. 31, 2019	Dec. 31, 2018
Bank deposits-restricted (accounts for financial assets measured at amortized cost)	$ 75,081	$ 3,842
Land	493,598	-
	$ 568,679	$ 3,842

XXXVIII. Material contingent liabilities and unrecognized contractual commitments

Except for those disclosed in other Notes, significant commitments and contingencies of the combined company on the balance sheet date are as follows:

Contingent liabilities

The subsidiary of the combined company was served a civil complaint from King Slide Works Co., Ltd. (hereinafter referred to as "King Slide") on Jun. 26, 2018. The complaint was filed with the Higher People's Court of Jiangsu Province on Jun. 19, 2018 by King Slide, suing Lemtech Precision Material and Lemtech Slide Company for the production, manufacture, and sale of rail products without King Slide's license, infringing its patent rights, and request compensation of CNY 100 million, rights maintenance costs of CNY 183,090, and NT$31,748. The attorney appointed for the case states that since Lemtech Precision Material mainly engages in the research and development, production and sales of precision metal stamping components and toolings with cooling module, automobile modules and components and stamping toolings for other components. For rail products, it only produced stamping components, it is not a manufacturer or dealer of rail product, thus no infringement has occurred in this case. The rail product produced by Lemtech Slide Company are all subject to its relevant patents (some still in the application process), which by the attorney's initial judgment are different from that of King Slide. Furthermore, King Slide failed to produce evidence to proof its claim, thus payment of compensation is unlikely. The case was first trialed in court on Jan. 25, 2019. At present, the case is still in the process of the first instance trial, and the outcome of the case cannot be predicted.

King Slide filed infringement claims with the Higher People's Court of Jiangsu Province, and issued statement letters to the customers of Lemtech Precision Material, which had a negative impact on the reputation of Lemtech Precision Material. Therefore, the company represented Lemtech Precision Material and filed a claim with the Taiwan Ciaotou District Court on 15 Jan. 2019.

XXXIX. Losses due to major disasters: None

XL. Significant subsequent events

The outbreak of COVID-19 in January 2020 resulted in the temporary suspension of the plant of the subsidiary Lemtech Holdings Co., Limited in Suzhou, Jiangsu Province, China. Since the main plant, customers and main suppliers of the subsidiary Lemtech Holdings Co., Limited are not concentrated in the severely affected area, the impact to its operations is limited.

XLI. Information regarding significant assets and liabilities denominated in foreign currencies

The following summary is presented in foreign currencies other than the functional currency. The exchange rates disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency.

Foreign currency assets and liabilities with significant influence are as follows:

Unit: Foreign currencies and NTD 1,000

Dec. 31, 2019

	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
Monetary items			
USD	$ 11,683	30.0325 (USD:NTD)	$ 350,869
USD	18,256	6.9762 (USD:CNY)	548,287
CNY	3,218	4.3050 (CNY:NTD)	13,854
CNY	96,182	0.1433 (CNY:USD)	414,117
JPY	500	0.2760 (JPY :NTD)	138
JPY	72,875	0.0641 (JPY : CNY)	20,114
EUR	500	33.5900 (EUR:TWD)	16,795
EUR	1,161	7.8026 (EUR:CNY)	38,998
PHP	46,129	0.5847 (PHP : TWD)	26,971
			$1,430,143
Foreign currency liabilities			
Monetary items			
USD	13,943	30.0325 (USD:NTD)	$ 418,732
USD	11,377	6.9762 (USD:CNY)	341,680
JPY	30,992	0.0641 (JPY:CNY)	8,554
			$ 768,966

Dec. 31, 2018

	Foreign currency	Exchange rate	Carrying amount
Foreign currency assets			
Monetary items			
USD	$ 11,683	30.0325 (USD:NTD)	$ 350,869
USD	18,256	6.9762 (USD:CNY)	548,287
CNY	3,218	4.3050 (CNY:NTD)	13,854
CNY	96,182	0.1433 (CNY:USD)	414,117
JPY	500	0.2760 (JPY :NTD)	138
JPY	72,875	0.0641 (JPY:CNY)	20,114
EUR	500	33.5900 (EUR:TWD)	16,795
EUR	1,161	7.8026 (EUR:CNY)	38,998
	46,129	0.5847 (PHP : TWD)	26,971
			$1,430,143
Foreign currency liabilities			
Monetary items			
USD			
USD	13,943	30.0325 (USD:NTD)	$ 418,732
CNY	11,377	6.9762 (CNY:NTD)	341,680
JPY	30,992	0.0641 (JPY:CNY)	8,554
			$ 768,966

The combined company is mainly exposed to foreign currency exchange rate risks of NTD, CNY, USD, CZK and PHP. The following information is aggregated in terms of the functional currency of the foreign currency held. The exchange rate disclosed is the exchange rate of the functional currency into the presentation currency. Foreign exchange gains and losses with significant influence are as follows:

	2019		2018	
Functional currency	Functional Currency and Presentation Currency	Net exchange gains and losses	Functional Currency and Presentation Currency	Net exchange gains and losses
NTD	1.0000 (NTD:NTD)	$ 2,389	1.0000 (NTD:NTD)	($ 24,868)
CNY	4.3050 (CNY:NTD)	1,145	4.4720 (RMB: New Taiwan Dollar)	(121)
USD	30.0325 (USD:NTD)	(7,030)	30.6922 (USD:NTD)	(24,311)
CZK	1.3249 (CZK:NTD)	992		
PHP	0.5847 (PHP:NTD)	(528)		
		($ 3,032)		($ 49,300)

XLII. Other disclosures

Information on (I) Significant Transactions and (II) Investees:

1. Financings provided (Attachment 1)
2. Endorsements/guarantees provided to others (Attachment 2)
3. Marketable securities held at the end of year (excluding investments in subsidiaries, affiliates and interest in joint ventures) (None)

4. Accumulated purchase or disposal of individual marketable securities equal to or in excess of NT$300 million or 20% of paid-in capital (None)
5. Acquisition of real estate at cost in excess of NT$300 million or 20% of paid-in capital (Attachment 3)
6. Disposal of real estate at cost in excess of NT$300 million or 20% of paid-in capital (None)
7. Purchases or sales to related parties of at least NT$100 million or 20% of paid-in capital (Attachment 4)
8. Accounts receivable from related parties equal to or in excess of NT$100 million or 20% of paid-in capital (Attachment 5)
9. ngage in derivative transactions (Notes 7 and 35)
10. Others: Business relationships, important transactions and the amounts between parent company and subsidiaries (Attachment 6)
11. Information on investees (Attachment 7)

(III) Information on investments in China:

1. Information on any investee company in China; disclose the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in China. (Attachment 8)
2. Significant transactions with investee companies in China, either directly or indirectly through a third region, and their prices, payment terms, and unrealized gains or losses. (Attachment 8)
   (1) Purchase amount and percentage, and the ending balance and percentage of payables.
   (2) Sales amount and percentage, and the ending balance and percentage of payments receivables.
   (3) Property transaction amount and the resulting gain or loss.
   (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
   (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
   (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.

XLIII. Department information

The information is provided to the main decision-maker to allocate resources and assess the performance of each department and focus on each type of product or service delivered or provided. information on the Group's reporting departments is presented as follows:

Taiwan R&D Department

China manufacturing department

Others

Department revenues and the results of operations

(I) The income and results of ongoing operations of the combined Company based on the reporting departments are analyzed as follows:

2019

	Taiwan R&D Department	China manufacturing department	Others	Intercompany netting	Total
Revenue from external customers	$ 303,453	$ 3,130,947	$ 1,608,257	$ -	$ 5,042,657
Intercompany revenue	113,158	74,382	353	(187,893)	-
Department Revenue	$ 416,611	$ 3,205,329	$ 1,608,610	($ 187,893)	5,042,657
Interest income	$ 310	$ 3,116	$ 23,573	($ 19,097)	7,902
Other company's income					7,130
					$ 5,057,689
Finance costs	198	53,559	24,259	(19,097)	$ 58,919
Depreciation and amortization	7,547	218,373	31,277	-	257,197
are of gains (losses) of affiliates accounted for using equity method	-	23,262	588,282	(611,223)	321
Income tax expenses (benefits)	7,290	43,327	23,902		74,519
Departments gain (loss)	$ 22,332	$ 298,962	$ 552,268	($ 611,223)	$ 262,339
Departments assets	$ 375,493	$ 4,182,487	$ 7,648,851	($ 5,980,824)	$ 6,226,007
Departments liabilities	$ 162,469	$ 2,165,195	$ 2,590,146	($ 662,296)	$ 4,255,514

2018

	Taiwan R&D Department	China manufacturing department	Others	Intercompany netting	Total
Revenue from external customers	$ 217,550	$ 3,812,697	$ 2,012,843	$ -	$ 6,043,090
Intercompany revenue	68,037	67,081	302	(135,420)	-
Department Revenue	$ 285,587	$ 3,879,778	$ 2,013,145	($ 135,420)	6,043,090
Interest income	$ 904	$ 3,995	$ 29,363	($ 23,994)	10,268
Other company's income					16,031
					$ 6,069,389
Finance costs	-	48,472	21,164	(23,994)	$ 45,642
Depreciation and amortization	2,617	155,256	8,820	-	166,693
are of gains (losses) of affiliates accounted for using equity method	-	269,645	872,496	(1,127,508)	14,633
Income tax expenses (benefits)	5,675	81,109	49,977	-	136,761
Departments gain (loss)	$ 24,347	$ 480,684	$ 1,027,881	($ 1,127,509)	$ 405,403
Departments assets	$ 259,714	$ 4,509,044	$ 6,516,371	($ 5,886,702)	$ 5,398,427
Departments liabilities	$ 94,438	$ 2,736,247	$ 1,808,738	($ 1,115,100)	$ 3,524,323

Interdepartmental sales are based on market prices.

Departmental benefits refer to the profits earned by each department, including the allocated share of headquarter management costs and directors' remuneration, share of gain or loss of affiliates using the equity method, rental income, interest income, disposal of real estate, plant and equipment gains or losses, disposal of investment gains or losses, net gain (loss) from foreign currency exchange, gains or losses from financial instrument valuations, financial costs and income tax expenses. The assessment is provided to the main decision- maker to allocate resources to departments and assess their performance.

(II) Revenue from major products and services

The analysis of profits from the main products and services of the combined company's continuing business units is as follows:

	2019	2018
Computer, communication and consumer electronics	$ 2,845,323	$ 3,871,686
automobile	1,749,079	1,705,041
Construction materials	76,140	76,076
Toolings and others	372,115	390,287

	$ 5,042,657	$ 6,043,090

(III) Regional information

The combined company mainly operates in two areas - Taiwan and China.

Revenue of the combined company's continuing operations from external customers classified by the location of the business and the non-current assets is listed as follows:

	Revenue from external customers		NON-CURRENT ASSETS	
	2019	2018	Dec. 31, 2019	Dec. 31, 2018
Asia	$ 4,562,467	$ 5,689,541	$ 2,260,969	$ 1,572,466
America	289,472	164,330	-	-
Europe	190,718	189,219	-	-
	$ 5,042,657	$ 6,043,090	$ 2,260,969	$ 1,572,466

Non-current assets do not include deferred income tax assets.

(IV) Information of main customer

The annual revenues of 2019 and 2018 are NT$5,042,657 thousand and NT$6,043,090 thousand, the revenue from single customers of the company reaching more than 10% of the total revenue of the combined company are as follows:

	2019	2018
Customer F (Note)	$ 1,132,423	$ 1,468,721
Customer G (Note)	938,320	1,859,819
	$ 2,070,743	$ 3,328,540

Note: This is revenue from electronics categories.

Lemtech Holdings Co., Limited and subsidiaries
Loans extended to others
2019

Attachment 1

Unit: Unless Specified Otherwise , NTD thousands.

No. (Note 1)	Lending company	Borrower	General ledger account	Related party or not	Maximum Balance for the Period	Ending balance (Note 2)	Actual Expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Allowance for bad debts recognized	Collateral		Limit on loans granted to a single party (Note 3)	Total limit amount of loans (Note 3)	Notes
													Name	Value			
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	Other receivables	Yes	$ 252,800	$ -	$ -	6.00%	Necessity of short-term financing	$ -	Operating capital	$ -	—	$ -	$ 781,328	$ 781,328	
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	Other receivables	Yes	252,800	-	-	4.50%	Necessity of short-term financing	-	Operating capital	-	—	-	781,328	781,328	
0	Lemtech Holdings Co., Limited	Zhenjiang Emtron Surface Treatment Limited	Other receivables	Yes	47,085	44,970	26,982	3%-4%	Necessity of short-term financing	-	Operating capital	-	—	-	781,328	781,328	
1	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	Other receivables	Yes	535,774	202,335	202,335	3.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	Other receivables	Yes	31,600	-	-	3.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	18,960	17,988	17,988	3.80%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
1	Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd	Other receivables	Yes	24,400	23,984	23,984	4.00%	Necessity of short-term financing	-	Operating capital	-	—	-	957,428	957,428	
2	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Other receivables	Yes	15,410	-	-	3.20%	Necessity of short-term financing	-	Operating capital	-	—	-	76,485	76,485	
3	Lemtech Precision Material	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	95,436	94,710	73,185	5.00%	Necessity of short-term financing	-	Operating capital	-	—	-	776,837	776,837	
4	Lemtech Technology Limited	Lemtech Industrial Services Ltd	Other receivables	Yes	3,106	-	-	4.00%	Necessity of short-term financing	-	Operating capital	-	—	-	170,810	170,810	

Note 1: Explanations for the numbering column are as follows:
(1) The issuer is coded 0.
(2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: If a public company extend loans by submitting each loan for the board resolution in accordance with Article 14 (1) of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the drawdown had not been made, the amount resolved by the board shall be included in the balance announced in order to disclose the risks borne; however, if subsequently the amount is repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. If a publicly company authorized the chairman of the board of directors to extend loans in installments or to make a revolving credit line within a certain amount and within a period of one year in accordance with Article 14 (2) of the regulation, the loan limit resolved by the board shall be the reported balance. Although the amount may subsequently be repaid, considering the that further installments may be made, the loan limit resolved by the board shall still be the reported balance.

Note 3: (1) The loan limit to others is approved by the shareholders' meeting of Lemtech Holdings Co., Limited in accordance with the Operational Procedures for Loaning Funds to Others: For loans extended to companies with business ties, 1. the loan limit shall not exceed 20% of the company's net worth; amount of individual loans shall not exceed the total amount of trading between the parties in the most recent year. The amount of trading means the sales or purchasing amount between the parties, whichever is higher. 2. Where the extension of loans for companies with short-term financing needs is necessary, the total amount of loan extended shall not exceed 40% of the company's net value; the amount extended for each individual loans shall not exceed 40% of the company's net value.
(2) According to the above regulations, the maximum value of short-term financing extended by Lemtech Holdings Co., Limited out of necessity is net value of NT$1,953,321 thousand x 40% = NT$781,328 thousand; the limit for a single entity is NT$1,953,321 thousand x 40% = NT$781,328 thousand.
(3) According to the above regulations, the maximum value of short-term financing extended by Lemtech Global Solution Co. Ltd. out of necessity is net value of NT$2,393,571 thousand x 40% = NT$957,428 thousand; the limit for a single entity is NT$2,393,571 thousand x 40% = NT$957,428 thousand.
(4) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by LDC Precision Engineering Co., Ltd. out of necessity is net value of NT$191,213 thousand x 40% = NT$76,485 thousand; the limit for a single entity is NT$191,213 thousand x 40% = NT$76,485 thousand.
(5) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Precision Material (China) Co., Ltd (China) out of necessity is net value of NT$1,942,092 thousand x 40% = NT$776,837 thousand; the limit for a single entity is NT$1,942,092 thousand x 40% = NT$776,837 thousand.

(6) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Technology Limited out of necessity is net value of NT$427,024 thousand x 40% = NT$170,810 thousand; the limit for a single entity is NT$427,024 thousand x 40% = NT$170,810 thousand.

Lemtech Holdings Co., Limited and subsidiaries
Endorsement/guarantee provided for others
2019

Attachment 2 | Unit: NTD thousands

No. (Note 1)	Endorsement/guarantee provider name	Subject of endorsements/guarantees		Limit on endorsements/guarantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guarantee collateralized by properties	Accumulated endorsements and guarantees amount to net worth stated the most recent financial statement %	Maximum endorsement/guarantee amount allowable	Guarantee provided by parent company to a subsidiary	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in China
		Name	RELATIONS (Note 2)										
0	Lemtech Holdings Co., Limited	Kunshan Lemtech Slide Technology Co., Ltd.	2	$ 2,343,985	$ 31,600	$ 29,980	$ 29,980	$ -	1.53%	$ 5,859,963	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	2	2,343,985	117,810	114,206	114,206	-	5.85%	5,859,963	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	2	2,343,985	808,250	314,790	187,045	-	16.12%	5,859,963	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	2	2,343,985	376,680	359,760	149,900	-	18.42%	5,859,963	Yes	No	Yes
1	Lemtech Technology Limited	Lemtech Holdings Co., Limited	3	512,429	156,950	149,900	149,900	-	35.10%	1,281,072	No	Yes	No

Note 1: Explanations for the numbering column are as follows:
(1) The issuer is coded 0.
(2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: Listed below are the 6 types of companies to which the company may provide endorsement/guarantee:
(1) A company that has business transactions with the Company.
(2) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
(3) Companies that directly and indirectly holds more than 50 percent of the voting shares in the Company.
(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
(5) A company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) All capital contributing shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages.
(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: (1) The endorsement/guarantee limit is determined by Lemtech Global Solution Co. Ltd. in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by Lemtech Global Solution Co. Ltd. shall not exceed 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 120% of the net worth of the current period. If the endorsement is guaranteed by the business relationship, the amount of endorsement shall not exceed the total amount of transactions with the company in the most recent year (the number of goods purchased or sold between the two parties, whichever is higher). The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants. Endorsements and guarantees not exceeding 10 percent of this company's net worth may be made between companies in which the company directly and indirectly holds 90% voting interest. However, endorsements and guarantees made between companies in which the company directly and indirectly holds 100% voting interest shall not be subject to the above restriction.
(2) According to the above regulations, the maximum limit for guarantee for endorsement by Liande Holding Co., Ltd. is 1,953,321 (KRW) x 300% = 5,859,963 (KRW); the limit for endorsement guarantee for a single enterprise is 1,953,321 (KRW) × 120% = 2,343,985 (unit).
(3) According to the above provisions, the maximum limit for Lemtech Technology Limited's external endorsement guarantee is 427,024 (RMB) x 300% = 1,281,072 (RMB); the limit for endorsement guarantee for a single enterprise is 427,024 (RMB) x 120% = 512,429 (RMB).

Lemtech Holdings Co., Limited and subsidiaries
Acquisition of real estate at cost exceeding of NT$300 million or 20% of paid-in capital
2019

Attachment 3

Unit: unless otherwise stated , NTD thousands.

Company that acquired the real estate	Name of the real estate	Date of occurrence	Transaction amount	Payment status	Counterparty	RELATIONS	Prior Transaction Whose Counterparty Was a Related Party				Basis of Reference for Price Determination	Purpose of acquisition and usage	Other commitments
							Owner	Relationship with the issuer	Date of transferal	Amount			
Lemtech Holdings Co., Limited	Land	2018/11/09	$ 488,434	$ 488,434	Note 4	None	N/A	-	-	$ -	Refer to market price of and professional appraisal report on the nearby real estate	Operation and production needs	None

Note 1: If the asset acquired is required to be appraised, the appraisal result shall be indicated on the column titled "Basis of Reference for Price Determination."

Note 2: paid-in capital refers to the paid-in capital of the parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the regulation regarding 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of occurrence means the contracting date for the transaction, payment date, consignment trade date, transfer date, resolution date of the board of directors, or other dates on which the transaction party and amount can be ascertained, whichever is earlier.

Note 4: Disclosure may be exempted where the counterparty to the transaction is a natural person and is not a related party to the company.

Lemtech Holdings Co., Limited
Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital
2019

Attachment 4

Unit: unless otherwise stated, NTD thousands.

Name of company selling or purchasing	Counterparty	RELATIONS	Transaction details				Situation and reason of why trading conditions are different from general trading		Accounts and notes receivable (payable)		Notes
			Purchase/sale	Sum	% to total purchase (sale)	Loan period	Unit price	Loan period	Balance	% to total accounts receivable (payment)	
Lemtech Precision Material	Lemtech Technology Limited	Subsidiaries	Sales	$ 159,226	4.84%	90 days	According to the company's pricing policy for transfers	-	Accounts receivable $ 111,164	9.51%	
LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Parent company	Sales	98,936	24.76%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 26,883	19.73%	

Lemtech Holdings Co., Limited and subsidiaries
Accounts receivable from related parties reaching NT$100 million or 20% of its paid-in capital
2019

Attachment 5

Unit: NTD thousands

Name of company with accounts receivable on account	Name of the counterparty	RELATIONS	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amounts received from related parties in subsequent period	Allowance for bad debts recognized
					Sum	Action taken		
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	ıbsidiaries	Other receivables $ 205,286	Note 2	$ -	—	$ 203,096	$ -
Lemtech Precision Material	Lemtech Technology Limited	ıbsidiaries	Accounts receivable 111,164	1.18	-	—	84,224	-

Note 1: Write-offs for long-term equity investments consolidated from individual entities, adopting the equity method, have been adjusted.
Note 2: Categorized as other receivables, thus turnover rate is not calculated.

Lemtech Holdings Co., Limited and subsidiaries
Business relations between parent company and subsidiaries and material transactions
2019

Attachment 6

Unit: NTD thousands

No.	Name of the trader	Name of the transaction counterparty	Relationship with counterparty (Note)	Conditions of transactions			
				Account	Amount (NTD thousands)	Terms of transaction	% to total consolidated revenue or total assets
0	Lemtech Holdings Co., Limited	Zhenjiang Emtron Surface Treatment Limited	1	Other receivables (payables)	$ 27,412	General Terms of Transaction	0.44%
0	Lemtech Holdings Co., Limited	Lemtech Philippine Thermal System Inc.	1	Other receivables (payables)	26,971	General Terms of Transaction	0.43%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Global Solution Co. Ltd.	3	Other payables (receivables)	18,108	General Terms of Transaction	0.29%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Precision Material	3	Other payables (receivables)	74,853	General Terms of Transaction	1.20%
1	Zhenjiang Emtron Surface Treatment Limited	Lemtech Precision Material	3	Sales revenue (purchase)	13,240	General Terms of Transaction	0.26%
2	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	1	Other receivables (payables)	205,286	General Terms of Transaction	3.30%
2	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	1	Interest revenue (expense)	16,509	General Terms of Transaction	0.33%
2	Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd	3	Other receivables (payables)	24,154	General Terms of Transaction	0.39%
3	Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	1	Accounts receivable (payables)	17,768	General Terms of Transaction	0.29%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Accounts receivable (payment)	111,164	General Terms of Transaction	1.79%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Accounts payable (receivable)	23,936	General Terms of Transaction	0.38%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Sales revenue (purchase)	159,226	General Terms of Transaction	3.16%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Purchases (sales revenue)	25,402	General Terms of Transaction	0.50%
3	Lemtech Precision Material	Lemtech Philippine Thermal System Inc.	3	Accounts receivable (payables)	22,318	General Terms of Transaction	0.36%
3	Lemtech Precision Material	Lemtech Philippine Thermal System Inc.	3	Sales revenue (purchase)	22,971	General Terms of Transaction	0.46%
3	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co., Ltd.	3	Other receivables (payables)	32,248	General Terms of Transaction	0.52%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Purchases (sales revenue)	67,216	General Terms of Transaction	1.33%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Accounts payable (receivable)	16,153	General Terms of Transaction	0.26%
5	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd.	1	Accounts payable (receivable)	12,165	General Terms of Transaction	0.20%
5	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd.	1	Purchases (sales revenue)	54,839	General Terms of	1.09%

No.	Name of the trader	Name of the transaction counterparty	Relationship with counterparty (Note)	Conditions of transactions			
				Account	Amount (NTD thousands)	Terms of transaction	% to total consolidated revenue or total assets
6	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Sales revenue (purchase)	98,936	Transaction General Terms of Transaction	1.96%
6	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Accounts receivable (payables)	26,833	General Terms of Transaction	0.43%

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:

1 Parent company will be coded "0".

2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: The transaction relationships with the counterparties are as follows. Please specify the type (the same transaction shall not be disclosed repetitively for transaction between the parent company and the subsidiaries or between the subsidiaries. For example, if the parent company has already disclosed its transaction with a subsidiary, the subsidiary does not need to disclose the information again; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, the other one does not need to disclose it again.)

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries.

Note 3: For calculations of ratio of the transaction amount accounts to consolidated total revenue or total assets, where the item is either an asset or a liability, the ratio of the ending balance to the consolidated total assets shall be calculated; where the item is either a gain or a loss, the ratio of the aggregated amount at the end of the period to the consolidated total revenue shall be calculated.

Note 4: Because there are no similar transactions to follow, the terms and conditions of the transaction are negotiated between the two parties based on actual operation needs.

Note 5: The above transactions have been offset in the consolidated statements.

Note 6: whether to list the material transactions situation in this attachment shall be determined by the company with the materiality principle.

Lemtech Holdings Co., Limited and subsidiaries
Name of investee, location, etc.
2019

Attachment 7

Unit: NTD thousands

Investor company	Name of investees	Location	Principal business activities	Original investment amount		Balance at the end of the period			Net gain or loss of the investee	Recognized investment gain/loss of the current period	Notes
				End of the period	End of last year	Number of shares	Ratio %	Carrying amount			
	Controllable										
The company	Lemtech Global Solution Co. Ltd.	Republic of Mauritius	General investment	$ 112,397	$ 112,397	2,500,000	100	$ 2,393,571	$ 295,297	$ 295,297	Subsidiaries
The company	Lemtech Cooling System Limited	Hong Kong	General investment	154,220	-	7,000,000	100	136,599	(12,760)	(12,760)	Subsidiaries
The company	Lemtech Industrial Services Ltd	Independent State of Samoa	Sales of electronics and computer peripheral components	6,583	-	1,425,000	57	32,006	19,869	11,328	Subsidiaries
Lemtech Cooling System Limited	Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Taiwan	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	30,000	-	3,000,000	100	26,053	(5,814)	(3,580)	Subsidiaries
Lemtech Cooling System Limited	Lemtech Philippine Thermal System Inc.	Republic of the Philippines	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	6,100	-	11,000,000	100	(4,536)	(11,088)	(11,088)	Subsidiaries
Lemtech Precision Material	Lemtech Technology Limited	Hong Kong	Sales of automotive, electronics and computer peripheral parts	597	597	-	100	427,024	25,156	25,156	Third-tier subsidiary
Lemtech Precision Material	LDC Precision Engineering Co., Ltd.	Taiwan	Manufacture and wholesale of electrical appliances, audio-visual electronic products, other electrical and electronic machinery, automobiles and automotive parts, other optical and precision machinery	9,524	9,524	-	100	191,213	25,936	25,936	Third-tier subsidiary
Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	Czech Republic	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	195,984	195,984	-	100	99,453	(27,406)	(27,406)	Third-tier subsidiary
Lemtech Technology Limited	Lemtech USA Inc.	United States of America	U.S. business development, business information collection, provision of market intelligence and industry information	1,502	1,502	-	100	724	653	653	Third-tier subsidiary
Lemtech Technology Limited	Lemtech Industrial Services Ltd	Independent State of Samoa	Sales of electronics and computer peripheral components	-	46,792	-	-	-	19,868	(3)	Third-tier subsidiary
	With significant influence										
Lemtech Technology Limited	Aapico Lemtech Co., Ltd.	Thailand	R & D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	16,452	16,452	160,000	40	32,923	4,021	1,420	Investees recognized under the equity method
Lemtech Global Solution Co. Ltd.	Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Taiwan	Manufacture and wholesale of machinery and equipment, molds, electrical and audio-visual electronic products, other electrical and electronic machinery, automobiles and their parts, and other optical and precision equipment	-	3,650	-	-	-	(5,814)	(1,099)	Investees recognized under the equity method

Note 1: Please refer to Attachment 8 for information on investee in China.

Lemtech Holdings Co., Limited and subsidiaries
Information on investments in China
2019

Attachment 8 Unit: NTD thousands / foreign currency thousnads

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Outflow	Inflow						
Zhenjiang Emtron Surface Treatment Limited	Surface treatment of mechanical, electronic and automotive components	$ 65,043 (RMB 14,352)	83.33% equity held by Lemtech Holdings Co., Limited	$ -	$	$	$ -	($ 28,899)	83.33%	($ 22,810) (Note)	$ 43,218	$ -
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	273,372 (RMB 63,000)	99.8% equity held by Lemtech Global Solution Co. Ltd.	-			-	309,736	99.8%	309,117 (Note)	1,938,208	-
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	273,372 (RMB 63,000)	0.2% equity held by Lemtech Holdings Co., Limited	-			-	309,736	0.2%	619 (Note)	3,884	-
Kunshan Lemtech Slide Technology Co., Ltd.	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	69,758 (RMB 15,000)	100% invested by Lemtech Industrial Services Ltd.	-			-	18,446	100%	18,446 (Note)	48,158	-
Kunshan Lemtech Electronics Technology Co., Ltd.	R & D, manufacturing, and sales of self-produced electronic components, special electronic materials, and cooling modules; engaged in the production of the same products of the parent company and the wholesale, import and export of raw materials and mechanical equipment used by the parent company	60,990 (RMB 14,060)	100% owned by Lemtech Cooling System Limited	-			-	(77)	100%	(77) (Note)	60,451	-

Note: The investment gain (loss) is recognized in accordance with the parent company's financial statements for the same period audited by a certified public accountant.

2. Limit on the amount of investment in China

Accumulated investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on the amount of investment in China authorized by MOEAIC
$ -	Not applicable	Not applicable

3. Significant transactions with the investees in China directly or indirectly through businesses in a third region: Attachment 6.
4. Endorsements, guarantees or provision of collateral directly or indirectly between the company and the investees in China through business in a third region: Attachment 2.
5. Financing extended directly or indirectly between the company and the investees in China through business in a third region: Attachment 1.
6. Other transactions that have significant influence on the profits and losses or financial status of the current period: none.