

Stock code : 3093

TKK

TAIWAN KONG KING CO., LTD.

Annual Report
2019

Edited by: Taiwan Kong King Co., Ltd.

Printed on May 28, 2020

Taiwan Kong King annual report is available at:
(<http://mops.twse.com.tw/>)

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TAIWAN KONG KING CO., LTD.

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I. Letter to Shareholders

Dear shareholders and distinguished guests:

Welcome to this general meeting of shareholders, I hereby announce the start of the 2019 shareholders' meeting of Taiwan Kong King Co., Ltd.

Due to the global pneumonia epidemic (COVID-19), it is expected that the prosperity of each industry in Taiwan will have a huge impact on the global economy in the coming year. The terminal product sales market in the electronics industry has been significantly reduced and the industry investment has slowed down, so we only maintain stable for this year. As a professional agent in the electronics industry, in order to be the most solid backing for our customers, in addition to maintaining the distributorship of existing advanced equipment, materials and key components, the Company will also actively step into the new manufacturing process of the electronics industry. We are eager to have a place in the rapidly changing electronics industry and grow together with our customers and suppliers.

The performance in 2019 grew significantly compared with the previous two years. In the future, we will continue to adhere to the solid operation, and endeavor to maintain profitability by controlling operating costs and improving business performance. The results of the 2019 business are as follows:

The consolidated operating income of the Company as of December 31, 2019 was NTD 1,154,228 thousand, an increase of 1.55% compared with NTD 1,136,575 thousand in 2018. The net profit attributable to owners of the parent company was NTD 76,441 thousand, which was 29.20% increase from NTD 59,165 thousand in 2018. The earnings per share was NTD 2.11, an increase of 29.45% from NTD 1.63 in 2018.

1. 2019 Consolidated Business Results:

A. Operational implementation results

Units: NT\$ in thousands, %

Item	2018	2019	Diff	Diff%
Operating income	1,136,575	1,154,228	17,653	1.55
Operating gross profit	335,166	340,945	5,779	1.72
Operating net income	59,969	66,663	6,694	11.16
Net profit before tax	75,619	99,149	23,530	31.12
Net profit	57,059	76,202	19,143	33.55
Net profit attributable to owners of the parent company	59,165	76,441	17,276	29.20

Item	2018	2019	Diff	Diff%
Basic earnings per share (NT\$)	1.63	2.11	0.48	29.45

B. Consolidated Financial income and expenditures

Units: NT\$ in thousands

Item	2018	2019
Cash flow from operating activities	95,513	110,709
Cash flow from investment activities	(3,069)	(29,200)
Cash flow from financing activities	(110,963)	(50,805)
Gains (losses) on cash and cash equivalents	(18,633)	27,453
Cash and cash equivalents at the beginning of the period	497,147	478,514
Cash and cash equivalents at the end of the period	478,514	505,967

C. Profitability

Item	2018	2019	
Return on assets (%)	5.33	7.01	
Return on equity (%)	6.75	9.28	
Ratio to paid-in capital (%)	Operating profit margin	16.52	18.37
	Income before Tax	20.83	27.32
Net Profit Margin (%)	5.02	6.60	
EPS (NT\$)	1.63	2.11	

2. 2020 Business Plan

- A. Enhance customer satisfaction and provide instant service.
- B. Develop new product distributorship that respond to customer needs.
- C. Update information architecture and process optimization continuously to improve management performance with computer systems.
- D. Strengthen employee education and training to serve customers with professional employees.
- E. Steady operation and increase shareholders' equity.

3. The Future Development Strategy of The Company

- A. Seeking local and international strategic alliance partners, and distribute products in

high-tech fields.

- B. Establish a talent network in the high-tech field and find talented employees to serve customers.
 - C. Strict and reasonable implementation of credit control and continuous strengthening of risk control.
4. The influence of external competitive environment, regulatory environment and overall business environment:

Under the global concern about corporate social responsibility and environmental protection issues, Taiwan Kong King will fulfill its corporate social responsibility with a sense of mission to society. In order to protect the earth, we will continue to introduce the most advanced green energy equipment, materials and key technologies from the electronics industry to the Taiwan market to provide products with low energy consumption and high production value.

Finally, I would like to thank all the shareholders of Taiwan Kong King. With the long-term support of the shareholders and the efforts of the company's employees, I believe Taiwan Kong King can continue to grow in stability. I wish you good health and good luck!

Chairman HO SHU-CHAN

General Manager LIAO HUNG-YING

II. Company Profile

1. Date of incorporation: June 14, 1975

2. Company history

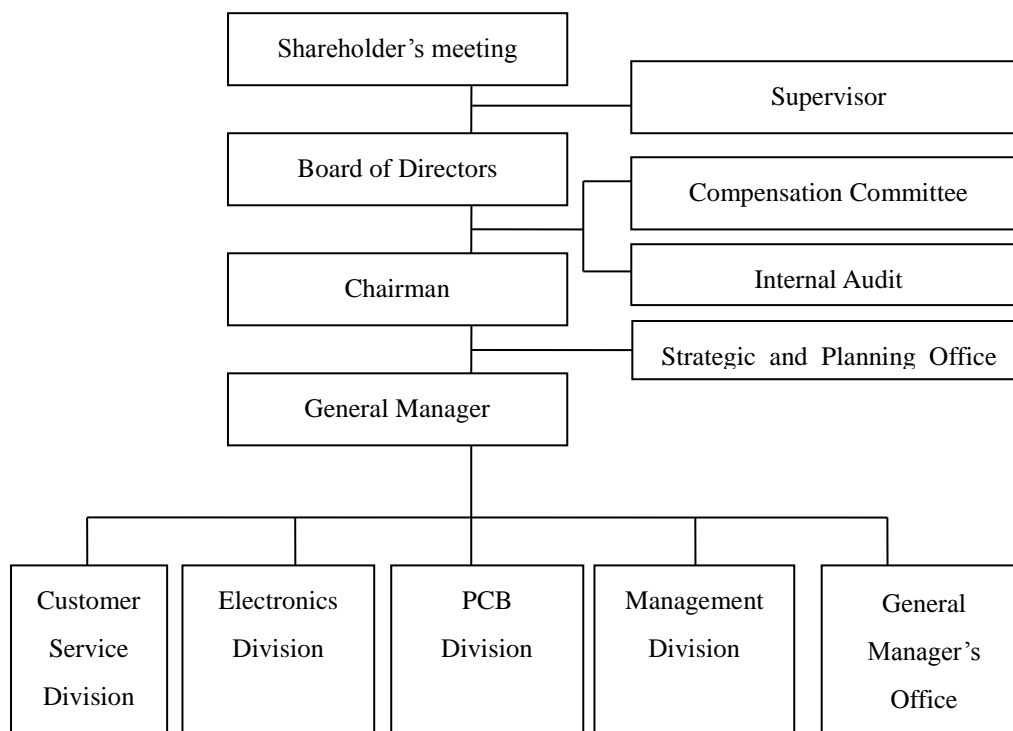
1977	Taiwan Kong King was established and entered into the PCB industry.
1983	The Taipei office moved to Luzhu, Taoyuan.
1989	Established Kaohsiung Office.
1994	Entered into SMT industry.
1995	Purchased and moved to the new office building (Zhongzheng International Building, Luzhu, Taoyuan)
1996	Expanded the services for semiconductor industry equipment
1998	ISO 9002 certified
1998	Established Hsinchu Office.
1999	Developed photoelectric industry equipment business.
2000	Public issuance. Developed new precision printed circuit board testing business
2001	Established TKK HIOKI Co., Ltd. with Japanese company Hioki E.E. Corp.
2002	Expanded HDI board testing business.. Re-invested Hiking Technology Co., Ltd.
2002	Verified by ISO 9001:2000.
2003	Re-invested Technology Kong King Electronics Co., Ltd. (Shanghai)
2004	Established Southern Taiwan Science Park Office
2005	Listed in the OTC market on June 17, with the stock code 3093 and capital of NT\$272,734,000.
2006	Introduced ERP system. Established THT Technology Co., Ltd. with Japanese company Hioki E.E. Corp.
2007	Introduced CSM system. Re-invested The Kong King Technology Co., Ltd. (Suzhou)
2008	Awarded Evergreen Enterprise "Special Contribution Award" by Taoyuan City Government.
2009	The capital increased NT\$17,280,420, total paid-up capital became NT\$362,888,940.
2010	Verified by ISO 9001:2008.
2011	Awarded "A+ Club" by Global Views Monthly for the third year in a row, and was promoted as a five-star company.
2012	Hiking Technology Co., Ltd. added a new precision printed circuit board fixture manufacturing business.
2013	Received "Happy Enterprise Award" from Taipei City Government and "Service Quality Excellence Award" from Taoyuan City Government.

2015	Ranked top 5% of all OTC companies from the first corporate governance review.
2015	Selected as one of the top 100 giants in the 2015 CSR Corporate Citizenship Awards of the CommonWealth Magazine
2016	Selected as one of the top 100 giants in the 2016 CSR Corporate Citizenship Awards of the CommonWealth Magazine.
2018	The subsidiary TKK HIOKI Co., Ltd. was renamed to TKK Precision Co., Ltd.
2019	Awarded the 2019 Outstanding Business Entity in Taoyuan area by National Taxation Bureau of the Northern Area, Ministry of Finance.

III. Corporate Governance Report

1. Organizational Structure

(1) Organizational Chart



(2) Department functions

Department	Functions
General Manager's Office	<p>Includes secretary, MIS, development team, project development and overseas development department.</p> <p>Secretary: Assist in handling the day-to-day administrative business.</p> <p>MIS: Related operations such as company computer maintenance and information system management.</p> <p>Development team, project team: New product introduction and market development, project equipment distribution negotiation.</p> <p>Overseas Development Department: Responsible for overseas market sales and after-sales service related business.</p>
Internal Audit	<p>Formulate the company's annual audit plan, audit the implementation of the company's various departments' rules and regulations, check and evaluate whether the company's internal operations are appropriate and sound, in order to obtain effective internal control at a reasonable cost.</p>
Management Division	<p>The division includes the Finance Department, Management Department, Procurement Department and Sales and Marketing Department.</p> <p>Finance Department: Cashier and accounting matters.</p> <p>Management Department: Import and export operations, general affairs and personnel management operations.</p> <p>Procurement Department: Responsible for company procurement matters.</p> <p>Sales and sales department: Sales management of inventory sales and</p>
PCB Division	<p>PCB equipment and materials sales planning, market research, operating activities and market development plans, development and implementation.</p>
Electronics Division	<p>SMT, semiconductor and optical communications sales planning, market research, operating activities and market development plans, development and implementation.</p>
Customer Service Division	<p>Equipment installation and related warranty, after-sales service and control of inventories.</p>

2. Information on the company's directors, supervisors, general manager, assistant general managers, associates, and the supervisors of all the company's divisions and branch units

A. Information of the director and supervisor

April 17, 2020

Title	Name	Gender	Nationality or Place of Registration	Inauguration date	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Director	Wong's Kong King International (Holdings)	-	Bermuda	107.06.20	3	66.06.14	24,473,836			67.44	24,473,836	67.44	
Chairman	Wong's Kong King International (Holdings) Limited Representative : HO SHU-CHAN	Male	Hong Kong	107.06.20	3	66.06.14	24,473,836	67.44	24,473,836	67.44	0	0.00	0	0.00	Wong's Kong King International (Holdings) Limited	TKK: Chairman ; Other companies: CFO of Wong's Kong King International (Holdings) Limited	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited, Representative : HSU HUNG-CHIEH	Male	R.O.C.	107.06.20	3	90.03.11	24,473,836	67.44	24,473,836	67.44	0	0.00	0	0.00	TKK's Chairman and general manager	TKK: None Other companies: None	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited Representative : SENTA WONG	Male	Canada	107.06.20	3	66.06.14	24,473,836	67.44	24,473,836	67.44	0	0.00	0	0.00	2000 chairman of Tung Wah Group of Hospitals	TKK: None Other companies: Chairman of Wong's Kong King International (Holdings) Limited	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited Representative : TSUI YING-CHUN	Male	Hong Kong	107.06.20	3	66.06.14	24,473,836	67.44	24,473,836	67.44	0	0.00	0	0.00	Wong's Kong King International (Holdings) Limited	TKK: None Other companies: Group Chairman and Chief Executive Officer Executive Director of Wong's Kong King International (Holdings) Limited	-	-	-	-

Title	Name	Gender	Nationality or Place of Registration	Inauguration date	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Wong's Kong King International (Holdings) Limited Representative : CHANG JUI-SHUM	Male	Hong Kong	107.06.20	3	98.06.16	24,473,836	67.44	24,473,836	67.44	0	0.00	0	0.00	General Manager of WKK distribution ltd.	TKK: None Other companies: General Manager of WKK distribution ltd.	-	-	-	-
Director	LIAO HUNG-YING	Male	R.O.C.	107.06.20	3	97.01.18	188,798	0.52	188,798	0.52	8,112	0.02	0	0.00	TKK General Manager The 31st NCCU entrepreneurship academy	TKK: General Manager Other companies: Chairman of Hiking Technology Co., Ltd. Chairman of The Kong King Technology Co., Ltd, (Suzhou) Chairman of THT Technology Co., Ltd. Chairman of TKK Precision Co., Ltd.	-	-	-	-
Director	CHEN MEI-FEN	Female	R.O.C.	107.06.20	3	90.03.11	287,035	0.79	287,035	0.79	466	0.00	0	0.00	TKK Deputy General Manager Department of Business Administration Chung Yuan Christian University	TKK: Deputy General Manager Other companies: Supervisor of TKK Precision Co., Ltd. Supervisor of THT Technology Co., Ltd. Supervisor of The Kong King Technology Co., Ltd, (Suzhou) Supervisor of Top Range Machinery Co., Ltd. Director of Leetech International	-	-	-	-
Independent Director	LOK ARTHUR K.	Male	Hong Kong	107.06.20	3	91.07.25	0	0.00	0	0.00	0	0.00	0	0.00	Director of APEX INSURANCE LTD	TKK: None Other companies: Director of APEX INSURANCE LTD	-	-	-	-
Independent Director	HUANG WEN-YUEAN	Male	R.O.C.	107.06.20	3	98.06.16	1,050	0.00	1,050	0	1,050	0	0	0.00	EMBA of Electronics Engineering, NCTU	TKK: None Other companies: None	-	-	-	-

Title	Name	Gender	Nationality or Place of Registration	Inauguration date	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	CHAN CHUN-YEN	Male	R.O.C.	107.06.20	3	92.06.01	0	0.00	0	0.00	0	0.00	0	0.00	Chairman of Keng Di Ltd.	TKK: None Other companies: Chairman of Keng Di Ltd. Independent director of MKS CORP.	-	-	-	-
Supervisor	Top Range Machinery	-	R.O.C.	107.06.20	3	91.07.25	378,484	1.04	378,484	1.04	0	0.00	0	0.00	-	-	-	-	-	-
Supervisor	Top Range Machinery Representative : KEN CHOU	Male	R.O.C.	107.06.20	3	91.07.25	0	0.00	0	0.00	0	0.00	0	0.00	Chairman of Top Range Machinery Co., Ltd.	TKK : None Other companies: Chairman of Top Range Machinery Chairman of Hsiang Yi Industrial Co., Ltd	-	-	-	-
Supervisor	WU KUO-HSIEN	Male	R.O.C.	107.06.20	3	91.07.25	0	0.00	0	0.00	0	0.00	0	0.00	Chairman of the Maxtron Corporation	TKK : None Other companies: Chairman of the Maxtron Corporation	-	-	-	-
Supervisor	TSAI CHIH-WEI	Male	R.O.C.	107.06.20	3	98.06.16	0	0.00	0	0.00	0	0.00	0	0.00	Accountant of Chianye EMBA of NTU Master degree of the NCCU accounting department	TKK : None Other companies: Accountant of Chianye	-	-	-	-

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

April 17, 2020

Name of Institutional Shareholder	Major Shareholders	Shareholdings (%)
Wong's Kong King International (Holdings) Limited	Greatfamily Inc. ^{Note}	28.49
	Greatguy(PTC) Inc. ^{Note}	28.49
	Senta Wong (BVI) Limited	16.73
	HSBC International Trustee Limited	6.26
	Mr. Wong Chung Yin	5.86
Top Range Machinery Co., Ltd.	Yontex Investment Limited	16.80
	Nienscheng Investment Limited	14.41
	Hong Kong Taiwan Kong King Limited	9.03
	Jin-Ji Chou	8.81
	Ken Chou	7.88
	Yueh-Chu Chan	7.50
	Ying-Nan Chou	6.97
	Zhen-Fong Hong	4.52
	Hsin-Hsien Chou	4.19
Huang-Hsueh Chou	3.96	

Note: Greatfamily Inc. is registered in the name of Rewarding Limited, which is wholly-owned by a discretionary trust owned by Greatfamily Inc. (a wholly owned by Greatguy (PTC) Inc.). The shares owned by Greatfamily Inc. refer to the same shares as the shares owned by Greatguy (PTC) Inc.

Table 2 : Major shareholders of the Company's major institutional shareholders in table 1

April 17, 2020

Name of Institutional Shareholder	Major Shareholders	Shareholdings (%)
Greatfamily Inc.	Greatguy(PTC) Inc.	100.00
Senta Wong (BVI) Limited	Mr. Senta Wong	50.25
	Ms. Wong Wu Lai Ming Lily	49.75
Yontex Investment Limited	Ken Chou	29.23
Nienscheng Investment Limited	Jin-Ji Chou	37.22
Hong Kong Taiwan Kong King Limited	Taiwan Kong King Co., Ltd.	99.99

Information about director and supervisor (2)

April 17, 2020

Name	Criteria	Independence Attribute (See Note 2 Below)												Number of Holding Concurrent Independent Director Position in Other Public Companies		
		1	2	3	4	5	6	7	8	9	10	11	12			
HO SHU-CHAN	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience				✓	✓				✓	✓	✓		✓		0
SENTA WONG	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University				✓	✓				✓	✓	✓		✓		0
HSU HUNG-CHIEH	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company				✓	✓	✓			✓	✓	✓		✓		0
TSUI YING-CHUN	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company				✓	✓				✓	✓	✓		✓		0
CHEN MEI-FEN					✓	✓	✓			✓	✓	✓	✓	✓	✓	0
LIAO HUNG-YING					✓	✓	✓			✓	✓	✓	✓	✓	✓	0
CHANG JUI-SHUM					✓		✓	✓	✓		✓	✓	✓		✓	0
LOK ARTHUR K.					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
HUANG WEN-YUEAN					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
CHAN CHUN-YEN					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
WU KUO-HSIEN					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
KEN CHOU					✓	✓	✓	✓	✓		✓	✓	✓		✓	0
TSAI CHIH-WEI		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during his term of office, please “tick” the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates.

(2) Directors and supervisors who are not those of the Company or affiliated companies; provided, it does not apply to

- independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- (4) A director of a supervisor who is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the subparagraph (2) and (3).
- (5) A director, supervisor, or employee of a corporate shareholder that does not directly hold five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) A majority of the Company's director seats or voting shares and those of any other company are not controlled by the same person: a director, supervisor, or employee of that other company; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) The chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are not the same person or are not spouses: a director (or governor), supervisor, or employee of that other company or institution; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) A director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that does not have a financial or business relationship with the Company; provided, it does not apply to a specific company or institution that holds more than 20%, but not more than 50% of shares issued by the Company, and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) A professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, does not provide auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Those who are not the spouses of or are not related within the second degree of kinship to other directors.
- (11) There are no cases mentioned in Article 30 of the Company Act.
- (12) There is no government agency, juristic person or their representative acting as a shareholder of a company according to Article 27 of the Company Act.

B. Information of the general manager, assistant general manager, senior managers of departments and branches:

April 17, 2020

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Current Positions at Other Companies	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	HO SHU-CHAN	Male	107.06.20	24,473,836	67.44	0	0.00	0	0.00	Wong's Kong King International (Holdings) Limited	CFO of Wong's Kong King International (Holdings) Limited	-	-	-	-
General Manager	R.O.C.	LIAO HUNG-YING	Male	96.10.04	422,000	1.16	8,112	0.02	0	0.00	Managing Supervisor of the TPCA Environment Foundation St. John's University The 3 rd , 4 th , 5 th and 6 th Supervisor of the Taiwan Printed Circuit Association The 31st NCCU entrepreneurship academy	Chairman of Hiking Technology Co., Ltd. Chairman of The Kong King Technology Co., Ltd. (Suzhou) Chairman of THT Technology Co., Ltd. Chairman of TKK Precision Co., Ltd.	-	-	-	-
Senior deputy general Manager of Customer Service	R.O.C.	FAN DING-CHI	Male	86.05.01	0	0.00	0	0.00	0	0.00	Department of Electronics Engineering of Lughwa University of Science and Technology	General Manager of TKK Precision Co., Ltd. Director of Hiking Technology Co., Ltd. Director of The Kong King Technology Co., Ltd. (Suzhou)	-	-	-	-
Senior deputy general Manager of the Management Division	R.O.C.	CHEN MEI-FEN	Female	96.03.01	287,035	0.79	466	0.00	0	0.00	Department of Business Administration Chung Yuan Christian University	Supervisor of TKK Precision Co., Ltd. Supervisor of THT Technology Co., Ltd. Supervisor of The Kong King Technology Co., Ltd. (Suzhou) Supervisor of Top Range Machinery Co., Ltd. Director of Leetech International	-	-	-	-

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Current Positions at Other Companies	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Deputy General Manager of the PCB Division	R.O.C.	CHENG FU-WEN	Male	96.07.01	495	0.00	0	0.00	0	0.00	Department of Electronics Engineering of ChungYuan Christian University	Director and General Manager of Hiking Technology Co., Ltd. Deputy CEO of The Kong King	-	-	-	-
Deputy General Manager of the PCB Division	R.O.C.	LIAO DE-HSIANG	Female	96.07.01	50,340	0.14	14,512	0.04	0	0.00	Chemical engineering of the Ta Hwa University of Science and Technology	-	-	-	-	
Deputy General Manager of the South Office	R.O.C.	CHUANG HONG-YI	Male	90.04.01	0	0.00	0	0.00	0	0.00	Electrical, electronics, instrument and control department of National United University	-	-	-	-	
Senior manager of customer service	R.O.C.	CHANG JUN-GU	Male	96.04.01	10,799	0.03	8,016	0.02	0	0.00	Electronics Engineering of the Taipei City University of Science and Technology	-	-	-	-	
Senior manager of customer service	R.O.C.	LIU REN-JIEN	Male	103.04.01	11,420	0.03	0	0.00	0	0.00	Electronics Engineering of the NCU	-	-	-	-	
Senior manager of Management Division	R.O.C.	CHOU TSUI-HSIA	Female	93.11.01	0	0.00	0	0.00	0	0.00	Accounting and statistics department of Ling Tung University	-	-	-	-	
Senior manager of PCB Division	R.O.C.	TSOU REN-ZHE	Male	94.06.01	0	0.00	0	0.00	0	0.00	EMBA of NCU	-	-	-	-	
Senior manager of PCB Division	R.O.C.	HSU JI-TSUN	Male	99.07.01	12,546	0.03	203	0.00	0	0.00	Masters degree on chemical engineering of ChungYuan Christian University	-	-	-	-	

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Current Positions at Other Companies	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior manager of PCB Division	R.O.C.	HSU YUAN-HSUN	Male	103.04.01	0	0.00	12,000	0.03	0	0.00	Department of Electronics Engineering of ChungYuan Christian University	-	-	-	-	
Senior manager of PCB Division	R.O.C.	YANG ZHU-HONG	Male	90.10.29	0	0.00	0	0.00	0	0.00	Japanese language department of Tamkan University	-	-	-	-	
Senior manager of PCB Division	R.O.C.	LIN JUN-DE	Male	88.03.16	9,961	0.03	0	0.00	0	0.00	Department of Electronics, Minghsin University of Science and Technology	-	-	-	-	
Senior manager of the South Office	R.O.C.	CHUANG HONG-YI	Male	90.04.01	0	0.00	0	0.00	0	0.00	Electrical, electronics, instrument and control department of National United University	-	-	-	-	
Senior manager of Electronics Division	R.O.C.	WU SHANG-WEN	Male	96.04.01	207	0.00	0	0.00	0	0.00	Business Mathematics of the Soochow University	-	-	-	-	
Senior manager of Electronics Division	R.O.C.	PAN CHING-LUNG	Male	89.07.18	4,000	0.01	0	0.00	0	0.00	Electronics Engineering of the Oriental Institute of Technology	-	-	-	-	

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

C. Remuneration paid during the most recent fiscal year to directors (including independent directors), supervisors, the general manager, and assistant general managers

(1) Remunerations of Directors (including independent directors)

December 31, 2019/Unit: NT\$Thousand

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Relevant remuneration received by directors who are also employees						Ratio of total compensation (A+B+C+D+E+F + G) to net income (Note 10)		Compensation paid to directors from non-consolidated affiliates or parent company (Note 11)					
		Compensation (A) (Note 2)		Severance Pay (B)		Directors Compensation (C)(Note 3)		Allowances (D)(Note 4)				Salary, Bonuses and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)									
		The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 8)	Cash	Stock	Cash	Stock	The Company	All companies in the consolidated financial statement (Note 7)						
Chairman	HO SHU-CHAN																								
Director	SENTA WONG																								
Director	TSUI YING-CHUN																								
Director	HSU HUNG-CHIEH	0	0	0	0	536	836	0	0	0.70%	1.09%	9,073	12,384	0	0	0	0	0	0	12.57%	17.30%	-			
Director	CHEN MEI-FEN																								
Director	LIAO HUNG-YING																								
Director	CHANG JUI-SHUM																								
Independent Director	LOK ARTHUR K.																								
Independent Director	HUANG WEN-YUEAN	0	0	0	0	230	230	0	0	0.30%	0.30%	520	520	0	0	0	0	0	0	0.98%	0.98%	-			
Independent Director	CHAN CHUN-YEN																								

1. Please state the payment policy, system, standards and structure of the remuneration of the independent directors, and explain the relevance to the amount of remuneration according to their responsibilities, risks, time invested, etc.:
 accordance with Article 19 of the Articles of Incorporation, the Company shall allocate below 1% of the balance by subtracting the profit before tax by employees' remuneration and directors' and supervisors' remuneration in the current year as the remuneration for directors and supervisors. The remuneration of directors and supervisors will be subject to the changes in profit before tax. The aforementioned measures shall be reasonable.

2. In addition to the content disclosed in the aforementioned table, please state the remuneration obtained by the directors of the Company providing services (such as serving as non-employee consultant) to all the companies in the financial statement during the most recent year: None.

Note :1. The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2019, of which the surplus distribution reveals the proposed number of surplus distribution in 2019.

2. The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2019.

Range of Remunerations

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	Companies in the consolidated financial statements (Note 9)H	The company (Note 8)	Companies in the consolidated financial statements (Note 9)I
Under NT\$ 1,000,000	Wong's Kong King (SENTA WONG ,HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM), CHEN MEI-FEN , LIAO HUNG-YING, LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN	Wong's Kong King (SENTA WONG , HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM), CHEN MEI-FEN , LIAO HUNG-YING, LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN	Wong's Kong King (SENTA WONG , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH) ,LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN	Wong's Kong King (SENTA WONG , TSUI YING-CHUN ,HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH), LOK ARTHUR K. , HUANG WEN-YUEAN , CHAN CHUN-YEN
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)				
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)			CHEN MEI-FEN	CHEN MEI-FEN
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)			LIAO HUNG-YING	

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	Companies in the consolidated financial statements (Note 9)H	The company(Note 8)	Companies in the consolidated financial statements (Note 9)I
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)				LIAO HUNG-YING
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)				
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)				
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)				
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total	10	10	10	10

Note 1: The names of directors should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 3 should be filled out.

Note 2: This table refers to the remuneration of directors in the most recent year (including directors' salary, professional allowance, severance pay, various awards and bonuses).

Note 3: The amount of directors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: This table refers to the relevant business execution expenses of directors in the most recent year (such as traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration.

Note 5: This table refers to the salary, professional allowance, severance pay, various awards and bonuses, traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the

driver without remuneration. The salary expenses recognized in accordance with the “Share-based payment” of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 6: This table refers to the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees) who obtain employee compensation (including stocks and cash), and should disclose the amount of compensation paid by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and should be added to table (1-3).

Note 7: The total amount of emoluments paid by all companies (including our company) to the directors of the company should be disclosed.

Note 8: The table shows the total amount of each director's remuneration paid by the company, and exposes the name of the director in the ownership rank.

Note 9: The total remuneration of each director of all the companies (including our company) in the consolidated report should be disclosed, and the name of the director should be exposed in the ownership rank.

Note 10: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 11: a. This column should clearly state the amount of remuneration for directors of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the director of the company receives remuneration from non-consolidated affiliates or parent company, the director shall incorporate the remuneration into the “T” column of the remuneration scale, and change the name of the column to “parent company and all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the directors of the company serve as directors, supervisors or managers of the non- consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(2) Remunerations of Supervisors

December 31, 2019/Unit: NT\$Thousand

Title	Name	Remuneration of Supervisors						Ratio of Total Remuneration (A+B+C) to Net Income (%) (Note 8)		Compensation Paid to Supervisors from non-consolidated affiliates or parent company (Note 9)
		Base Compensation (A) (Note 2)		Allowances (B)		Business execution cost (C) (Note 4)		The company	Companies in the consolidated financial statements (Note 5)	
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)			
Supervisors	KEN CHOU	0	0	230	230	0	0	0.30%	0.30%	-
Supervisors	WU KUO-HSIEN									
Supervisors	TSAI CHIH-WEI									

Note 1. The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2019, of which the surplus distribution reveals the proposed number of surplus distribution in 2019.

2. The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2019.

Range of Remunerations

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7)D
Under NT\$ 1,000,000	Top Range Machinery (CHOU KEN), WU KUO-HSIEN, TSAI CHIH-WEI	Top Range Machinery (CHOU KEN), WU KUO-HSIEN, TSAI CHIH-WEI
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)		

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company(Note 6)	Companies in the consolidated financial statements(Note 7)D
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)		
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)		
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)		
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	3	3

Note 1: The names of supervisors should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment.

Note 2: This table refers to the remuneration of supervisors in the most recent year (including supervisors' salary, professional allowance, severance pay, various awards and bonuses).

Note 3: The amount of supervisors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: This table refers to the relevant business execution expenses of supervisors in the most recent year (such as traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration.

Note 5: The total amount of emoluments paid by all companies (including our company) to the supervisors of the company should be disclosed.

Note 6: The table shows the total amount of each director's remuneration paid by the company, and exposes the name of the director in the ownership rank.

Note 7: The total remuneration of each supervisor of all the companies (including our company) in the consolidated report should be disclosed, and the name of the supervisor should be exposed in the ownership rank.

Note 8: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration for supervisors of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the supervisor of the company receives remuneration from non- consolidated affiliates or parent company, the supervisor shall incorporate the remuneration into the “D” column of the remuneration scale, and change the name of the column to “all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the supervisors of the company serve as directors, supervisors or managers of the non-consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(3) Remunerations of General manager and assistant general manager

December 31, 2019/Unit: NT\$Thousand

Title	Name	Salary(A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation paid to the President and Vice President from non-consolidated affiliates or parent company (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 6)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman	HO SHU-CHAN	8,510	12,817	249	249	5,575	7,052	0	0	0	0	18.75%	26.32%	-
General Manager	LIAO HUNG-YING													
Senior vice president	FAN DING-CHI													
Senior vice president	CHEN MEI-FEN													
Deputy General Manager	CHENG FU-WEN													
Deputy General Manager	LIAO DE-HSIANG													

* Regardless of the title, if the position is equivalent to the general manager, assistant general manager (for example: president, CEO, director...etc.), then they should be disclosed in the above table.

Further Explanation:

- The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2019, of which the surplus distribution reveals the proposed number of surplus distribution in 2019.
- The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2019.
- The actual amount of retired pension in 2019 or the amount of retirement pension recognized or distributed:
 - The actual amount of retirement pension in 2019: NT\$0
 - The number of retired pension expenses or the number of withdrawals: old pension NT\$90,888, new pension NT\$157,896, distribution to the manager NT\$0.

Range of Remuneration

Range of Remuneration for General Manager and Deputy General Manager	General Manager and Deputy General Manager	
	The company (Note 6)	Companies in the consolidated financial statements (Note 7)E
Under NT\$ 1,000,000		
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	CHENG FU-WEN	
NT\$2,000,000 (included) ~ NT\$3,500,000 (excluded)	CHEN MEI-FEN , FAN DING-CHI, LIAO DE-HSIANG	CHEN MEI-FEN , LIAO DE-HSIANG, CHENG FU-WEN
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	LIAO HUNG-YING	FAN DING-CHI
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)		LIAO HUNG-YING
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Under NT\$ 1,000,000		
Total	5	5

Note 1: The names of the general manager and assistant general manager should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 1 should be filled out.

Note 2: This table refers to the salary, professional allowance, severance pay of the general manager and assistant general manager.

Note 3: This table refers to the traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the general manager and assistant general manager in the most recent year. In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration. The salary expenses recognized in accordance with the "Share-based payment" of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 4: The amount of remuneration (including stocks and cash) of the general manager and assistant general manager distributed by the board of directors in the most recent year is included.

Note 5: The total amount of emoluments paid by all companies (including our company) to the general manager and assistant general manager of the company should be disclosed.

Note 6: The table shows the total amount of remuneration of the general manager and assistant general manager paid by the company, and exposes the name of the general manager and assistant general manager in the ownership rank.

Note 7: The total remuneration of the general manager and assistant general manager of all the companies (including our company) in the consolidated report should be disclosed, and the name of the general manager and assistant general manager should be exposed in the ownership rank.

Note 8: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration for the general manager and assistant general manager of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the general manager and assistant general manager of the company receives remuneration from non-consolidated affiliates or parent company, the general manager and assistant general manager shall incorporate the remuneration into the “E” column of the remuneration scale, and change the name of the column to “all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the general manager and assistant general manager of the company serve as directors, supervisors or managers of the non-consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(4) The distribution of employees' compensation and the name of managers who are responsible: not applicable.

(5) The name, title and employee compensation of the top ten employees who have obtained employee compensation: not applicable.

D. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance

(1) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years :

Total remuneration as a percentage of net profit after tax of the directors, supervisors, general managers and assistant general managers of the company in 2018 and 2019 are as follows:

Year	The company	Companies in the consolidated financial statements
2018	24.97%	34.38%
2019	21.47%	29.43%

(2) Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

- i. The remuneration of the directors and supervisors of the company is stipulated in the company's regulations: the remuneration of directors and supervisors shall be paid in less than one percent.
- ii. In addition to the salary, the remuneration of the general manager and the assistant general manager are distributed according to the profit performance of the profit center. "Performance" is the most appropriate decision-making plan made under the risk factors that the company may

face. It refers to the performance of the operating sector and is also reflected in profitability. Thus the remuneration of the general manager and the assistant general manager are related to future risks.

- iii. The profit or loss after the tax in the denominator is the number in individual financial statements.

3. The state of the company's implementation of corporate governance

A. The state of operations of the board of directors

Board of directors held 6 (A) meetings in the recent year, the attendance of the Committee are shown as follows:

Title	Name	Company name	In person attendance	By proxy	In person attendance rate (%)	Remarks
Chairman	HO SHU-CHAN	Wong's Kong King	6	0	100%	None
Director	SENTA WONG	Wong's Kong King	3	0	50%	None
Director	HSU HUNG-CHIEH	Wong's Kong King	6	0	100%	None
Director	TSUI YING-CHUN	Wong's Kong King	2	0	33%	None
Director	CHANG JUI-SHUM	Wong's Kong King	5	0	83%	None
Director	LIAO HUNG-YING		6	0	100%	None
Director	CHEN MEI-FEN		6	0	100%	None
Independent Director	LOK ARTHUR K.		4	0	67%	None
Independent Director	HUANG WEN-YUEAN		6	0	100%	None
Independent Director	CHAN CHUN-YEN		6	0	100%	None
Supervisor	KEN CHOU	Top Range Machinery	1	0	17%	None
Supervisor	WU KUO-SHIEN		6	0	100%	None
Supervisor	TSAI CHIH-WEI		4	0	67%	None

Other mentionable items:

1. During operations of the Board of Directors, the meeting date, period, content, the qualified opinions/resolutions made by any independent director shall be specified:

(1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act.

(2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing:

For matters of the board of directors that are subject to Article 14-3 of the Securities Exchange Act, please refer to page 60 for details; on the above-mentioned major issues and other matters, the three independent directors have not expressed any objection or reservation to the resolutions passed.

2. To avoid conflict of interest among directors, the Director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: None.

3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment:

1. The Company has established the "Provisions of the Board of Directors Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to follow the guidelines, and enter the directors attendance in the Board of Directors' meeting at the Market Observation Post System to expose the major resolutions of the Board of Directors on the Company's website.

2. Establishment of the Compensation Remuneration Committee: The Company formed the third Remuneration Committee by three independent directors on 20 June 2018. Main responsibilities: (1) After reference to the peers, the Remuneration policies for Directors, Supervisors and Managers are scheduled and regularly reviewed. (2) Regular assessment and determination of remuneration of directors and supervisors (traveling expenses) and remuneration of managers (including cash remuneration, stock options, dividends, retirement benefits, resignation payments, various allowances and various rewards).

3. Establishment of independent directors: The Company has established three independent directors in accordance with the law to strengthen the independent and objective functions of professional directors and supervise the operation of the board of directors. Since 2017, no objections or reservations have been raised against the proposals.

4. Since July 28, 2017, there was at least one independent director who personally attended the board of directors' meeting.

5. Communication of related parties: The company has a spokesman and a deputy spokesman, which can be used as a way of communication by interested parties. Each year, the shareholders' meeting accepts the shareholder proposal according to the time schedule, and the shareholders who have the right to make the proposal can apply for it during the acceptance period. The company will convene the board of directors for review according to relevant regulations. In addition, the website has a shareholder Q & A section, which will answer on shareholder's problems.

B. The implementation of assessment of the board of directors

Frequency	Period	Scope	Method	Content
Yearly	Evaluation is made according to the performance of the board of directors from January 1, 2019 to December 31, 2019	Performance evaluation of individual directors	Self-assessment of directors	Performance assessment of individual directors: including management of the Company's goals and tasks, recognition of directors' responsibilities, level of participation in the operation of the Company, internal relationship management and communication, professional and continuing education of directors, and internal control.

C. The state of the audit committee or the supervisor's participation in the operation of the board:

- (1) The company currently has no audit committee
- (2) Board of directors held 6 meetings in the recent year, the attendance of the Committee are shown as follows:

Title	Name	In person attendance (B)	In person attendance rate (%) (B/A)	Remarks
Supervisor	KEN CHOU	1	17%	None
Supervisor	WU KUO-SHIEN	6	100%	None
Supervisor	TSAI CHIH-WEI	4	67%	None

Other mentionable items:

1. Composition and responsibilities of the supervisor:

(1) Communication between the supervisor and the company's employees and shareholders.

A. The supervisor should understand the company's operating status to the company's employees when necessary.

B. The supervisor answers the questions of the shareholders during the shareholders meeting.

(2) Communication between the supervisor and the internal audit supervisor and accountant.

A. An audit report is made by the internal audit supervisor to the supervisor on a quarterly basis.

B. The supervisor may have access to the financial and operational status of the company at any time and may ask the accountant to provide a statement. The board of directors will also provide timely advice during the accountant's and the supervisor's attendance.

2. If the supervisor has a statement at the board of directors' meeting, the meeting date, period, content, the qualified opinions/resolutions made by any independent director shall be specified: None.

D. The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure:

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
1. Does the company implement and disclose corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies?	V		The company has implemented corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and disclosed in the company’s website (www.tkk.com.tw).	No Difference
2. Company shareholding structure and shareholders' equity (1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures? (2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual controlling company?	V V		(1) Taiwan Port Construction Company has a spokesman to deal with shareholders' rights. The remaining subsidiaries are dealt with by the chairman; if there is any dispute, they will be appointed by the legal counsel. Shareholders who have any shareholder issues (opening accounts, stock transfer, change of address, etc.) can contact the company's stock agency or the company's management office, and the contact information are disclosed in the company's website and annual report. (2) Wong’s Kong King International (Holdings)	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
<p>(3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises?</p> <p>(4) Does the company stipulate internal regulations to prohibit insiders from using the undisclosed information on the market to buy and sell securities?</p>	V		<p>Ltd., a major shareholder of the Company, holds 67.44% of the shares. The ultimate controller of this company is the director Mr. SENTA WONG and his family; subsidiary major shareholder details, special items - matters of related companies.</p> <p>(3) The management rights and responsibilities of personnel, assets and finance between the Company and its subsidiaries are clearly distinguished and controlled by relevant personnel such as the Management division and the Audit department.</p> <p>(4) The Company has established “Information and Rules for the Prevention of Insider Trading”.</p>	
<p>3. Composition and duties of the board of directors</p> <p>(1) Does the board of directors formulate a diversified policy and implement it in terms of membership composition?</p>	V		<p>(1) The Company established “Corporate Governance Principles” on Oct. 27, 2014. The Company stipulated diversified strategies (disclosed in the Company’s website) in Chapter 3, “Strengthening the Competency of</p>	<p>No major differences except for (2) the proposed development of other functional committees.</p>

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
(2) Does the company voluntarily set up other functional committees in addition to the remuneration committee and the audit committee?	V		<p>Board of Directors”. The nomination and election of members of the board are in compliance with the provisions in Articles of Incorporation. The Company adopted candidate nomination system. In addition to evaluating the academic background and experiences of each candidate, the Company also referenced the opinions from the stakeholders and complied with the “Rules for the Election of Directors and Supervisors” and “Corporate Governance Principles” to ensure the diversification and independency of members of the board.</p> <p>(2) The Company has considered the demands from all aspects for the composition of the board members. The composition of the board members is diversified and has at least one female participating in the board. Among the list of the 10 board members of the Company, foreign directors accounted for 50%; independent directors accounted for 30%;</p>	
(3) Does the Company establish the regulations and methods for the performance assessment of the board of directors, conduct performance assessment each year on a regular basis, report the results of the performance assessment to the board of directors, and apply it as a reference to individual directors' remuneration, nomination and reappointment?	V			
(4) Does the company regularly assess the independence of the visa accountant?	V			

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
			<p>directors with employee identity accounted for 20%; female directors accounted for 10%. 7 directors are above the age of 70, 2 directors are within the age of 50~60 and 1 director is below the age of 50.</p> <p>(3) Among the list of 10 board members, for skills in leadership, business judgement, business management, crisis handling, industrial knowledge and international market view, we have Wang, Zhong Tong, He, Shu Can, Xu, Ying Chun, Xu, Hong Jie, Zhang, Rui Shen, Liao, Feng Ying and Chen, Mei Fen; for capabilities in accounting and financial analysis, we have He, Shu Can and Chen, Mei Fen. Our 3 independent directors are all equipped with industrial knowledge; and Liao, Feng Ying has contributed to TPCA Environment Foundation.</p> <p>(4) The company has not voluntarily set up other functional committees except for the establishment of the remuneration committee</p>	

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
			<p>according to law.</p> <p>(5) The self-assessment has been completed by self-assessment questionnaire in 2019. The assessment included the mastery of the company's goals and tasks, the cognition of directors' duties, degree of participation in operations of the company, the internal relationship communication and management, director's professionalism and continuing education and internal control are all aspects of the evaluation. All the directors are competent and in compliance with the company's practical needs.</p> <p>(6) The company shall review the independence of the accountant at least once a year by the audit office in accordance with the relevant provisions of the “CPA code of professional ethics No.10”, together with the statement of the accountant's declaration of non-compliance with independence, and report it to the board of directors for evaluation. The</p>	

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
			<p>independence assessment in 2019 was adopted by the sixth board of directors (11/01). The independence assessment process includes financial interests, guarantees, business relationships, personal and family relationships, and employment relationships. After comprehensive evaluation, no violations of independence have been found.</p>	

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
4. Do TWSE / TPEX listed companies appoint an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs, including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, disposition matters relating to board meetings and shareholders meetings according to laws and producing minutes of board meetings and shareholders meetings?	V		<p>(1) The company is responsible for corporate governance related matters by the management office, and carries out the division of tasks for each transaction.</p> <p>(2) The information required for the supervisor's execution of the business shall be provided by the auditing supervisor, and the rest of the matters shall be co-ordinated by the management division.</p>	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
5. Does the company establish communication channels with related parties (including but not limited to shareholders, employees, customers and suppliers), set up regions for related parties on the company's website, and respond appropriately to important corporate social responsibility issues concerning related parties?	V		The company has a spokesman to handle matters related to the spokesman regulations, and the chairman is responsible for communicating with related parties of the subsidiary. A region for related parties is set up on the company's website and the Corporate Social Responsibility Report is exposed to respond to issues concerning related parties.	No Difference
6. Does the company appoint a professional stock agency to handle the proceedings of the shareholders' meeting?	V		It is appointed to SinoPac Securities Corporation to on handling the proceedings of the shareholders' meeting.	No Difference
7. Information disclosure (1) Does the company set up a website to expose financial business and corporate governance information? (2) Does the company adopt other methods of information disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of	V V		(1) The Company has set up a website for investors to inquire about business and financial status. (2) The language of choice on the company's website includes Chinese, Japanese, English and Simplified Chinese. The designated person shall, according to the regulations of the competent authority, place the	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
<p>company information, implementing the spokesman system, and expose the legal person briefing process on the company website)?</p> <p>(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the financial reports of the first, second, and third quarter and the monthly operating situation in advance within the prescribed time limit?</p>	V		<p>information disclosed on the Market Observation Post System or irregularly on the company website for inquiry.</p> <p>(3) The Company has completed the announcement of the financial report and the monthly operating situation within the prescribed period.</p>	
<p>8. Does the company have other important information that helps to understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relationships, rights of related parties, director and supervisor training, risk management) The implementation of policy and risk measurement standards, the</p>	V		<p>(1)Employees' Rights and Interests: The Company has always treated employees with integrity and attached great importance to labor relations, and established good relationships with employees through various welfare measures, education and training.</p> <p>(2)Employee care: The company pays great attention to the safety and health of employees,</p>	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)			<p>provides the most comfortable and safe working environment for employees, and regularly performs disinfection to improve the quality of the working environment. Provide free health checkups for employees every year and pays attention to the health of employees.</p> <p>(3)Investor Relations: The Company has a spokesman, an agent spokesman and the company's stock agent “Securities Trading Agency department of the SinoPac Securities Corporation” to provide consultation for shareholders and investors.</p> <p>(4)Supplier Relationship: The Company maintains a good relationship with its suppliers to maintain cost and supply stability.</p> <p>(5)Relevant information on the continuing education of directors and supervisors is disclosed in detail in the Market Observation Post System and the annual report.</p>	
9. Please explain the improvement of the company's corporate governance evaluation results released by the Corporate Governance Center of the				

Items	Implementation Status			Descriptions	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No			
Taiwan Stock Exchange Co., Ltd. in the most recent year, and propose priorities and measures for those who have not yet improved. (Not required for companies not being evaluated).					
<u>Item No.</u>	<u>Improved Items</u>			<u>Improvement Status</u>	
1.11	Does the Company upload the English version of the annual report seven days before the annual general meeting was held?			The annual report in English was uploaded seven days before the annual general meeting was held in 2019.	
3.5	Is the annual financial report (including financial statements and notes) disclosed in English on the Company's website or Market Observation Post System (MOPS) ?			The annual financial report (including financial statements and notes) was disclosed in English in 2019.	
3.17	Is the information related to finance, business and corporate governance disclosed on the Company's website?			The information related to the financial, business and corporate governance of the Company was disclosed on the website of the Company in 2019.	
<u>Item No.</u>	<u>First Priority Improvement Items</u>			<u>First Priority Improvement Measures</u>	
2.11	Does the Company disclose the discussions and resolutions made by the Remuneration Committee and the disposition of members' opinions made by the Company in the annual report?			The items listed on the left will be disclosed in this annual report (2019).	
2.24	Whether the directors and supervisors of the company have completed the training according to the number of hours specified in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".			Continue to provide various high quality courses for the directors and supervisors, and supervise on their completion of the required number of training hours according to schedule.	
2.25	Whether the independent directors of the company have completed the training according to the number of hours specified in the			Continue to provide various high quality courses for the independent directors, and supervise on their completion of the required number of training hours	

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
	"Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".			according to schedule.
3.15	Does the Company voluntarily disclose the amount and nature of non-audit fees paid to the certified public accountant, and any affiliated enterprise of the accounting firm of the certified public accountant in the annual report?			The items listed on the left will be disclosed in the annual report this year (2019).

Note: Regardless of whether the implementation status is "Yes" or "No", it should be stated in the summary description column.

E. If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed:

i. Information on members of the Compensation Committee

Identity (Note1)	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute (Note2)										Concurrent compensation committee position in other publicly listed companies	Remarks (Note 3)	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent director	HUANG WEN-YUEAN			V	V	V	V	V	V	V	V	V	V	V	V	0	None
Independent director	CHAN CHUN-YEN			V	V	V	V	V	V	V	V	V	V	V	V	0	None
Independent director	LOK ARTHUR K.			V	V	V	V	V	V	V	V	V	V	V	V	0	None

Note 1: Fill in the Identity with directors, independent directors or others.

Note 2: All members comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

- (1) Not an employee of this Company or its affiliates.
- (2) Directors and supervisors who are not those of the Company or affiliated companies; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- (4) A director of a supervisor who is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the subparagraph (2) and (3).
- (5) A director, supervisor, or employee of a corporate shareholder that does not directly hold five

percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act; provided, it does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

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

Note 3: If the members are respectively directors, please indicate whether they meet the requirements of Article 6(5) of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or traded over the counter”.

ii. Operation status of the Compensation Committee

- There are 3 members in the Company's Compensation Committee.
- Current Term: From June 20, 2018 to June 19, 2021.

2. Compensation Committee held 2 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown as follows:

Title	Name	In person attendance (B)	By proxy	In person attendance rate (%) (B/A) (Note)	Remarks
convenor	HUANG WEN-YUEAN	2	0	100%	None
members	CHAN CHUN-YEN	2	0	100%	None
members	LOK ARTHUR K.	2	0	100%	None

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (note: the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): The board of directors passed all the recommendations of the remuneration committee.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. The discussion and resolution made by the Remuneration Committee in the most recent year, and the disposition of members' opinions made by the Company:

Date of meeting	Resolution content and subsequent disposition	Resolution	The Company's disposition of the opinions proposed by the Remuneration Committee
First meeting in 2019 2019.03.04	1. 2018 allocation standard of director and supervisor compensation and employee compensation. 2. 2018 Pay Increase Standard	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors
Second meeting in 2019 2019.11.01	1. Review of the 2019 payment standards of annual rewards 2. Review of the seniority settlement of the old system for appointed managers	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors

First meeting in 2020 2020.03.24	1. 2019 allocation standard of director and supervisor compensation and employee compensation 2. Annual Pay increase standard 3. Long-service bonuses	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors
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Note:

- (1) When there is resignation of members of the remuneration committee before the end of the year, the date of resignation is indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of meetings of the remuneration committee during their employment and their actual attendance.
- (2) Before the end of the year, if there is re-election of the remuneration committee, the new and old remuneration committee members shall be filled in, and the remarks column shall indicate the member as the old, new or re-elected, and the re-election date should also be indicated. The actual attendance rate (%) is calculated based on the number of meetings of the remuneration committee during its incumbency and its actual attendance.

F. Fulfillment of social responsibility and the differences and causes with Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies:

Items	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions (Note 2)	
1. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the operation of the Company and establish relevant risk management policies or strategies based on the concept of materiality?	V		The company has established the Corporate Social Responsibility Best Practice Principles, which will be checked and updated on a regular basis. The management office is responsible for managing the electricity and water consumption related to the operations of the Company, and establishing the "Energy Saving Project" to achieve the purpose of energy saving and carbon reduction. Moreover, the Company has donated to charity groups and TPCA Environment Foundation in a long term to fulfill the corporate social responsibility.	No Difference
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The Management division of the company is responsible for promoting and implementing social responsibility, and reporting to the Board of Directors on a regular basis.	No Difference
3. Environmental issues (1) Does the company endeavor to utilize all resources more efficiently and use renewable	V		(1) There is no large amount of waste generated by the company's related products, and the	No Difference

Items	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions (Note 2)	
<p>materials which have low impact on the environment?</p> <p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the Company assess the potential risks and opportunities of climate change for the company now and in the future, and take response measures for climate-related issues?</p> <p>(4) Does the Company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, as well as establish Company strategies for energy saving and carbon reduction, greenhouse gas reduction, reduction of water consumption or other waste management.</p>	V		<p>remaining wastes are classified according to the relevant regulations of the Management Committee of the Building.</p> <p>(2) The company improves resource utilization efficiency and reduces environmental load by comprehensively replacing energy-saving lighting T5 and LED lamps, promoting waste sorting, oil subsidies to encourage energy-saving vehicles, and promoting comprehensive resource recovery and rewarding employees' energy-saving proposals.</p> <p>(3) The management office is responsible for environmental maintenance and management of electricity and water used by the company to achieve energy conservation, carbon reduction and greenhouse gas reduction.</p> <p>(4) The Company has established "Energy Conservation Project" for air conditioning systems, lighting equipment and printers to save electricity consumption and reduce carbon emissions.</p>	<p>No Difference</p> <p>No Difference</p> <p>No Difference</p>

Items	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions (Note 2)	
4. Social issues				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The company's management office pays attention to the update of labor regulations and provides the latest information to the subsidiaries.	No difference. However, the company will set policies and procedures for maintaining social welfare at an appropriate time, establish an effective development training plan for employees.
(2) Does the Company establish and implement reasonable employee benefit plans (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in the compensation of employees?	V		(2) The Company has established "Regulations for Merit Management" and "Regulations for Class Table and Salary Structure Management". The employee performance assessment system shall be combined with the Company's Social Responsibility Best Practice Principles.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) A staff for labor and environmental safety are set up in responsible for planning, education, training and supervision. In addition, employee health checks are regularly implemented and group insurance is insured for each employee.	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) Regularly evaluate the educational training needs of each department, and find internal and external lecturers to train according to the needs to promote the development of staff capabilities.	
(5) Does the company comply with relevant regulations and international standards, and establish relevant consumer protection policies	V		(5) As an equipment agent, the Company	

Items	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions (Note 2)	
<p>and complaint procedures for customer health and safety, customer privacy, marketing and labeling of products and services.</p> <p>(6) Does the Company establish supplier management policies to require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and how was the implementation?</p>	V		<p>introduced the ISO system to implement the sales and service processes, and provided customer message service on the website for customers to leave comments or complaints.</p> <p>(6) All products sold by the Company have been approved by relevant product certifications, and all the labels comply with relevant regulations.</p> <p>(7) Before signing contracts with suppliers, the company would collect relevant information and make annual assessment to suppliers.</p> <p>(8) Contracts made between the Company and the suppliers are annual contracts, and the relevant terms on the left will be noted when renewing contracts; in addition, the Company also signs a Corporate Social Responsibility Statement with suppliers.</p>	
<p>5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing Corporate Social Responsibility Reports and other reports which disclose the Company's non-financial information?</p>	V		<p>Timely disclosure of company information on the MOPS and company website and compilation of corporate social responsibility reports. The report was also disclosed in the investor section of the company's website (www.tkk.com.tw).</p>	No Difference

Items	Implementation Status (Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions (Note 2)	
Did the said reports obtain the assurance or assurance opinion of the verification unit of a third-party?				
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No difference.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices(such as the company's systems and measures and implementation of environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, safety and health and other social responsibility activities): In addition to the regular donation charity group (Youth Care Foundation), the company's general manager also serves as the standing supervisor of the TPCA Environment Foundation.				

G. Fulfillment of ethical corporate management and the differences and causes with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company establish its ethical corporate management policies approved by the board of directors	V		(1) Since the establishment of the company, we have adopted the "Honest" and "Trust"	No Difference

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
<p>and declare them in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish appropriate precautions against unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>policies and signed an "Integrity Letter of Commitment" with our suppliers. We also promoted the management of "Honest" and "Trust" in various conferences and education training policies.</p> <p>(2) For the Directors and Managers, there is the "Ethical Corporate Management Best-Practice Principles" and the "Internal Major Information Processing and Prevention of Internal Transactions Management Regulations" to prevent conflicts of interest from avoiding self-interest and fair trade. The company is committed to providing a safe and healthy working environment, a fair opportunity, and will strive to maintain a fair and legal long-term relationship between customers and suppliers to achieve a win-win partnership.</p>	No Difference
<p>(3) Does the Company clearly and thoroughly prescribe the specific operational procedures, guidelines, penalty and</p>	V		<p>(3) The company has established an "Ethical Behaviour Principles" (the full text of the</p>	No Difference

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
complaint system for violations to forestall unethical conduct ("prevention programs"), and review the said program on a regular basis?			<p>guidelines, please refer to the company's website http://tkk.com/tw, the "Ethical Corporate Management Best-Practice Principles" and the "Practice principles for Corporate Social Responsibility" as an employee. Guidelines and specifications for performing company operations. The employees of the Company and its subsidiaries comply with this standard regardless of their position, rank and location. To prevent all illegal activities inside and outside the company.</p>	

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		(1) The company signs the "Integrity Letter of Commitment" with the supplier .	No Difference
(2) Does the Company set up a specific unit under the board of directors to promote the ethical corporate management, and report its ethical corporate management policies and plans to prevent unethical conducts and the supervision of its implementation to the board of directors on a regular basis (at least once a year)?	V		(2) The Company is responsible for promoting the concept and policy of the Company's integrity management and reporting to the Board of Directors on a regular basis.	No Difference
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) If the directors are interested in the proposals listed in the board of directors, they should be able to make comments and answer questions, and should be avoided in discussions and votings. When employees encounter conflicts of interest in the execution of their business, they should report to the supervisor directly.	No Difference
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit has establish relevant audit plans in accordance with the	V		(4) The Company has established an accounting system and an internal control system in accordance with relevant laws and regulations, including paying attention to	No Difference

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
<p>assessment results of being involved in unethical conducts, and checked the compliance with the plan to prevent unethical conducts or entrust an accountant to perform the audit?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>related party transactions, establishing a bargaining system, and a multiple authorization review system. The Audit Office also regularly reviews the compliance of the accounting system and the internal control system and reports to the Board of Directors.</p> <p>(5) The company regularly conducts education and training related to integrity management on employees during company seminars.</p>	No Difference
<p>3.Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Has the Company established the standard operating procedures for the investigation of the whistle-blowing, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p>	V		<p>(1) The company has an integrity hotline and a mailbox, and any complaints can be directly submitted to the head of the management department and receive a reply.</p> <p>(2) A specific reporting and reward system has been established in the Ethical Corporate Management Best-Practice Principles, and if applicable, it will be handled in accordance</p>	<p>No Difference</p> <p>No Difference</p>

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Descriptions	
(3) Does the company provide proper whistleblower protection?	V		with the regulations. (3) The complaints mailbox can be chosen to be undisclosed. This can prevent the prosecutor from being improperly disposed of due to incorrect accusations.	No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		(1) On the company's website (http://www.tkk.com.tw), a designated person regularly collects and update information related to the Ethical Corporate Management Best-Practice Principles on the website.	No Difference
5. the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: No Difference, descriptions are in the company’s website.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (such as review and revision of regulations): In line with the amendments to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, the contents of the Ethical Corporate Management Best-Practice Principles were revised in early 2016, and the ethics-related clauses was added in accordance with regulations in 2019.				

H. If the company has established provisions for corporate governance and related regulations, it should disclose its method of inquiry:

(1) The Company has established the following relevant rules and regulations in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”:

1. Shareholders’ meeting procedure rules
2. Rules of procedure for the board of directors’ meetings.
3. Procedures for the election of directors and supervisors
4. Regulations of Acquisition or Disposal of Assets
5. Regulations of making Endorsements and Guarantees
6. Operating Procedures for the loaning of funds.
7. Operating Procedures for the supervision on re-investment
8. TTK regulations on transaction between related parties
9. Regulations on Financial and non-financial information
10. Information and Rules for the Prevention of Insider Trading
11. Ethical Corporate Management Best Practice Principles
12. Self-Inspection and Statement on Internal Control
13. Best Practice Principles for Corporate Social Responsibility
14. Codes of Ethical Conduct.

I. The Company has established “Information and Rules for the Prevention of Insider Trading” and its announcement methods:

The “Information and Rules for the Prevention of Insider Trading” are approved by the Board of Directors on April 30, 2009. The Board of Directors announced the procedures to all the directors and supervisors, and requests them to abide by the relevant provisions of the Regulation. For internal aspects of the company, after the board of directors is acknowledged, this procedure and precautions are placed on the company's internal network announcement area and the company website,

available for company's managers and colleagues, in order to avoid violations or internal transactions.

J. Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed as follows:

(1)The Company's new incumbent directors, managers and other internal personnel have allotted the latest edition of "The relevant laws and regulations and the precautions for the internal ownership of GTSM Listed Companies and Unlisted Companies".

(2)MOPS: <http://newmops.tse.com.tw>

(3)Company Website: <http://www.tkk.com.tw/>, for investors.

K. Internal Control System Execution Status:

(1) Statement of Internal Control System:

Taiwan Kong King Co., Ltd.
Statement of Internal Control System

Date: March 24, 2020

Based on the findings of a self-assessment, Taiwan Kong King Co., Ltd. states the following with regard to its internal control system during the year 2019:

- a. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and has already established it. Its purpose is: i. to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); ii. The report has reliability, timeliness, transparency; iii. It is compliance with applicable rulings, laws and regulations.
- b. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- c. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment. ii. Risk assessment. iii. Control activities. iv. Information and communication. v. Monitoring activities.
- d. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- e. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- f. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- g. This statement was passed by the board of directors in their meeting held on March 24, 2020, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Kong King Co., Ltd

Chairman: HO SHU-CHAN

General Manager: LIAO HUNG-YING

(2) If CPA was engaged to conduct a Special Audit of Internal Control System, its Audit Report should be provided: None.

L. From 2019 to the date of publication of the annual report, the Company and its employees are punished according to laws, or the Company punishes its employees for the violation of the internal control system, and if the punishment may create a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies and improvements shall be listed: None.

M. Material resolutions of a shareholders meeting or a board of directors meeting from 2019 to the date of publication of the annual report:

(1) Stockholders' meetings

Date of meeting	Major Resolutions
May 24, 2019	<ol style="list-style-type: none"> 1. Business Report and Financial Statements of 2018. 2. Appropriation of 2018 earnings. 3. Amend some of the provisions of Measures for the Administration of Obtaining or Disposing of Assets (R-28). 4. Amend some of the provisions of the "Operational Procedures for Loaning Funds to Others (R-29)".

(2) Board of Directors' meetings

Date of meeting	Major Proposals	Resolutions
Jan 18, 2019	<ol style="list-style-type: none"> 1. Approval of the 2019 Social Responsibility (CSR) Report execution plan 2. Replacement of the appointed accountant (internal rotation of the accounting firm) 	Approved by all attendees with no objection.
March 5, 2019	<ol style="list-style-type: none"> 1. Approval of the company's 2017 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act) 2. Proposal of the 2018 Internal Audit Statement 3. Approval of the date and matters of the Company's 2017 annual shareholders' meeting. 4. Approved the 2018 Earnings Distribution. 5. Approved the 2018 compensation distribution plan and annual salary benchmark for employees and directors. 	Approved by all attendees with no objection.
May 8, 2019	<ol style="list-style-type: none"> 1. Approval of the consolidated financial report for the first quarter of 2019 (subject to Article 14-3 of the Securities and Exchange Act) 2. The amendment of the "Regulations governing Making of Endorsements/Guarantees (R-27)" (subject to Article 14-3 of the Securities and Exchange Act) 3. Amendment of the "Corporate Governance Best Practice Principles(R-75)" 4. Modification of the Company's audit supervisor (subject to Article 14-3 of the Securities and Exchange Act) 5. 2019 amount of bank financing for the subsidiary 	Approved by all attendees with no objection.
May 24, 2019	<ol style="list-style-type: none"> 1. Establish an ex-dividend date. 	Approved by all attendees with no objection.

Date of meeting	Major Proposals	Resolutions
Aug 12, 2019	<ol style="list-style-type: none"> 1. Approval of the consolidated financial report for the second quarter of 2019 (subject to Article 14-3 of the Securities and Exchange Act) 2. The amendment of the "Regulations Governing Procedure for Board of Directors Meetings (R-60)" 3. Fund accommodation of the subsidiary, Headway Holdings Ltd. (Samoa) (subject to Article 14-3 of the Securities and Exchange Act) 	Approved by all attendees with no objection.
Nov 1, 2019	<ol style="list-style-type: none"> 1. Approval of the consolidated financial report for the third quarter of 2019 (subject to Article 14-3 of the Securities and Exchange Act) 2. Evaluation of the independence and suitability of the CPA who attested the annual financial report of the Company 3. Establishment of 2020 annual audit plan 4. 2020 Budget and Annual Operation Plan (subject to Article 14-3 of the Securities and Exchange Act) 5. Approval of the annual bonus payment standards by the Remuneration Committee 6. Approval of the seniority settlement of old system for appointed managers by the Remuneration Committee 7. The extension of bank financing amount in 2020 	Approved by all attendees with no objection.
Jan 17, 2020	<ol style="list-style-type: none"> 1. 2020 Corporate Social Responsibility (CSR) executive planning 	Approved by all attendees with no objection.
March 24, 2020	<ol style="list-style-type: none"> 1. Approval of the company's 2019 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act) 2. Proposal of the 2019 Internal Audit Statement 3. Approval of the date and matters of the Company's 2020 annual shareholders' meeting. 4. Amend some of the provisions of "Articles of Incorporation" 5. Approved the 2019 Earnings Distribution. 6. Approved the 2019 compensation distribution plan and annual salary benchmark for employees and directors. 	Approved by all attendees with no objection.

N. From the most recent fiscal year to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:
None

O. From the most recent fiscal year to the date of publication of the annual report, an independant director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:
None

P. Resignations and dismissals of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance personnel, and principal research and development officer, from the

most recent fiscal year to the date of publication of the annual report:

Title	Name	Date Elected	Date of Dismissal	Reason for resignation or dismissal
Internal Audit Manager	DONG YU-SHIN	Feb 7, 2015	Apr 1, 2019	Resigned due to personal career plannings

Q. The implementation of the resolutions of the 2019 shareholders' meeting:

Resolution Items	Implementation
1. Approval of the 2018 business report and final accounts.	Announced in the MOPS after the resolution of the shareholders' meeting.
2. Approval of the 2018 surplus distribution proposal.	According to the resolution of the shareholders' meeting: Cash dividend of NT\$47,175,562 was distributed to the shareholders, whereas the compensation to employees was NT\$763,764, and compensation to directors and supervisors was NT\$763,764. The company has distributed remunerations according to the content of the resolution, and distributed cash dividend to shareholders on August 8, 2019.
3. Amend some of the provisions of Measures for the Administration of Obtaining or Disposing of Assets (R-28).	Implement measures in accordance with the modified "Measures for the Administration of Obtaining or Disposing of Assets" after the resolution of the shareholder's meeting.
4. Amend some of the provisions of the "Operational Procedures for Loaning Funds to Others (R-29)"	Implement measures in accordance with the modified "Operational Procedures for Loaning Funds to Others (R-29)" after the resolution of the shareholder's meeting.

4. Information on CPA professional fees

Information on CPA professional fees

CPA Firm	Name of accountant		Period Covered by CPA's Audit	Remarks
Ernst and Young	HSU JUNG-HUANG	CHANG, CHIH-MING	Jan 01, 2019~ Dec 31, 2019	

Units: NT\$Thousand

Fee Range	Fee Items	Audit Fee	Non-audit Fee		Total
			Other (Note 1)	Amount	
1	Under NT\$ 2,000,000	0	176	176	176
2	NT\$2,000,001 ~ NT\$4,000,000	2,200	0	0	2,200
3	NT\$4,000,001 ~ NT\$6,000,000	0	0	0	0
4	NT\$6,000,001 ~ NT\$8,000,000	0	0	0	0
5	NT\$8,000,001 ~ NT\$10,000,000	0	0	0	0
6	Over NT\$100,000,000	0	0	0	0

Note 1 : This is the audit fee for 2018 Financial Statement in English.

- A. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: N/A
- B. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None
- C. The audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

5. Information on replacement of certified public accountant

- A. About the Former CPA: None.
- B. About Successor CPAs: None.
- C. The Reply of Former CPAs on Article 10.5.1 and Article 10.5.2.3 of the Standards: None.

6. Information on Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates : None

7. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the period from the most recent fiscal year to the date of publication of the annual report:

A. Changes of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company:

Title	Name (Note 1)	2019 (Note 2)		Current year to April 17,2020 (Note 3)	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease
Chairman	Wong's Kong King- HO SHU-CHAN	0	0	0	0
Director	Wong's Kong King- SENTA WONG	0	0	0	0
Director	Wong's Kong King- TSUI YING-CHUN	0	0	0	0
Director	Wong's Kong King- HSU HUNG-CHIEH	0	0	0	0
Director	Wong's Kong King- CHANG JUI-SHUM	0	0	0	0
Director	LIAO HUNG-YING	0	0	233,202	0
Director	CHEN MEI-FEN	0	0	0	0
Independent Director	LOK ARTHUR K.	0	0	0	0
Independent Director	CHAN CHUN-YEN	0	0	0	0
Independent Director	HUANG WEN-YUEAN	0	0	0	0
Supervisor	Top Range Machinery- KEN CHOU	0	0	0	0
Supervisor	WU KUO-HSIEN	0	0	0	0
Supervisor	TSAI CHIH-WEI	0	0	0	0
Manager	FAN DING-CHI	0	0	0	0
Manager	ZHENG FU-WEN	0	0	0	0
Manager	LAIO DE-HIANG	0	0	25,000	0
Manager	CHUANG HONG-YI	0	0	0	0
Shareholder	Wong's Kong King International (Holdings) Ltd.	0	0	0	0

Note1: Shareholders holding more than 10% of the company's shares should be identified as major shareholders

and presented separately.

Note 2: The increase (decrease) in shareholding by the listed internal personnel from December 2018 to December 2019.

Note 3: The increase (decrease) in shareholding by the listed internal personnel from December 2019 to April 2020.

B. Information on counterparties of equity transfer that are related parties: None.

C. Information on counterparties of share pledges that are related parties: None.

8. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

April 17, 2020; Units: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Wong's Kong King	24,473,836	67.44	0	0.00	0	0.00	-	-	
Wong's Kong King Representative : HSU HUNG-CHIEH	178,615	0.49	4,716	0.01	0	0.00	Wong's Kong King	Director	
Wong's Kong King Representative : SENTA WONG	1	0.00	0	0.00	0	0.00	Wong's Kong King	Chairman	
							Wong's Kong King Representative : CHANG JUI-SHUM	Son in law	
Wong's Kong King Representative : TSUI YING-CHUN	1	0.00	0	0.00	0	0.00	Wong's Kong King	Director	
Wong's Kong King Representative : HO SHU-CHAN	1	0.00	0	0.00	0	0.00	Wong's Kong King	Director	
Wong's Kong King Representative : CHANG JUI-SHUM	0	0.00	0	0.00	0	0.00	Wong's Kong King Representative : SENTA WONG	Father in law	
LI CHIN SHENG	628,081	1.73	0	0.00	0	0.00	YU SHU MAN	Wife	
							LI CHAO YUAN	Son	
							LI KUAN RE	Daughter	
LI CHAO YUAN	492,000	1.36	0	0.00	0	0.00	LI CHIN SHENG	Son	
							LI KUAN RE	Grand daughter	
LI KUAN RE	434,617	1.20	0	0.00	0	0.00	LI CHAO YUAN	Grandson	
							LI CHIN SHENG	Father	
							YU SHU MAN	Daughter	
LIAO HUNG-YING	422,000	1.16	8,112	0.02	0	0.00	-	-	

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Top Range Machinery	378,484	1.04	0	0.00	0	0.00	-	-	
YU SHU MAN	362,083	1.00	0	0.00	0	0.00	LI CHIN SHENG	Husband	
							LI KUAN RE	Daughter	
SHI SHENG YUAN	303,000	0.83	8,112	0.02	0	0.00	-	-	
CHEN PO-TSANG	294,000	0.81	0	0.00	0	0.00	-	-	
CHEN MEI-FEN	287,035	0.79	466	0.00	0	0.00	Top Range Machinery	Director	

9. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company:

December 31, 2019; Units: Shares, %

Affiliated Enterprise (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TKK Precision Co., Ltd. (Note 2)	6,237,000	100.00%	0	0.00%	6,237,000	100.00%
Hong Kong Taiwan Kong King Ltd.	26,209,999	99.99%	1	0.01%	26,210,000	100.00%
Headway Holdings Ltd.	1,100,000	100.00%	0	0.00%	1,100,000	100.00%
THT Technology Co., Ltd.	3,125,000	62.50%	100,000	2.00%	3,225,000	64.50%

Note 1: Company's long-term equity investment by the equity method

Note 2: Renamed after the share buyback, the original name is 「TKK Precision Co., Ltd.」

IV. Capital Raising Activities

1. Capital and Shares

A. Source of capital stock

April 17, 2020; Units: Shares/NT\$

Year/month	Par Value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT\$1,000)	Capital Increased by Assets Other Than Cash	Others
1977/06	10	200,000	2,000,000	200,000	2,000,000	established	-	-
1985/12	10	210,000	2,100,000	210,000	2,100,000	Capital increase 100 by cash	-	-
1986/05	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital increase 7,900 by cash	-	-
1988/10	10	1,450,000	14,500,000	1,450,000	14,500,000	Capital increase 4,500 by cash	-	-
1995/12	10	2,175,000	21,750,000	2,175,000	21,750,000	Capital increase 7,250 by cash	-	-
1995/12	10	2,900,000	29,000,000	2,900,000	29,000,000	Capital increase 7,250 by cash	-	-
1997/10	10	4,350,000	43,500,000	4,350,000	43,500,000	Capital increase 14,500 by capital reserve	-	-
1998/11	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase 27,800 by capital reserve. Capital increase 28,700	-	-
2000/08	10	13,000,000	130,000,000	13,000,000	130,000,000	Capital increase 30,000 by earnings	-	-
2001/01	10	30,000,000	300,000,000	17,500,000	175,000,000	Capital increase 45,000 by cash	-	-
2001/10	10	30,000,000	300,000,000	20,125,000	201,250,000	Capital transfer 26,250 by earnings	-	-
2002/10	10	30,000,000	300,000,000	22,137,500	221,375,000	Capital transfer 20,125 by earnings	-	-
2003/10	10	30,000,000	300,000,000	24,351,250	243,512,500	Capital transfer 22,137 by earnings	-	-
2004/09	10	30,000,000	300,000,000	27,273,400	272,734,000	Capital transfer 29,221.5 by earnings	-	-
2005/09	10	38,000,000	380,000,000	30,000,740	300,007,400	Capital transfer 27,273.4 by earnings	-	-
2006/09	10	38,000,000	380,000,000	34,560,852	345,608,520	Capital transfer 45,601.12 by earnings	-	-
2009/09	10	45,000,000	450,000,000	36,288,894	362,888,940	Capital transfer 17,280.42 by earnings	-	-

Type of Stock	Authorized Capital			Remarks
	Issued Shares (Note 1)	Un-issued Shares	Total	
Common Stock	36,288,894	8,711,106	45,000,000	

Note 1: Shares of GTSM Listed Companies.

General information about the reporting system:

Type of Stock	Estimated Issuance		Issued Shares		Purpose and expected benefits of issued shares	Estimated issue date for un-issued shares	Remarks
	Total Shares	Authorized Amount	Shares	Price			
None							

B. Shareholder structure

April 17, 2020

Shareholder structure	Government Agencies	Financial Institutions	Other Juridical Persons	Local Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	8	4	1,660	10	1,682
Shareholding (shares)	0	590,934	6,841	11,137,476	24,553,643	36,288,894
Percentage	0	1.63%	0.02%	30.69%	67.66%	100%

C. Diffusion of ownership

(1) Common stock (Par value of NT\$10)

April 17, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	544	87,614	0.24
1,000 ~ 5,000	829	1,586,888	4.37
5,001 ~ 10,000	151	1,123,206	3.10
10,001 ~ 15,000	48	585,374	1.61
15,001 ~ 20,000	30	524,109	1.44
20,001 ~ 30,000	14	337,400	0.93
30,001 ~ 50,000	26	1,078,377	2.97
50,001 ~ 100,000	20	1,429,419	3.94
100,001 ~ 200,000	10	1,461,371	4.03

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
200,001 ~ 400,000	5	1,624,602	4.48
400,001 ~ 600,000	3	1,348,617	3.72
600,001 ~ 800,000	1	628,081	1.73
800,001 ~ 1,000,000	-	-	0.00
1,000,001 or over	1	24,473,836	67.44
Total	1,682	36,288,894	100.00

(2) Preferred Share: None.

D. Major Shareholders

April 17, 2020

Shareholder's Name	Shareholding Shares	Percentage
Wong's Kong King International (Holdings) Ltd.	24,473,836	67.44
LI CHIN SHENG	628,081	1.73
LI CHENG YUEH CHIN	412,000	1.14
LI KUAN RE	434,617	1.20
LIAO HUNG-YING	422,000	1.16
Top Range Machinery Co., Ltd.	378,484	1.04
YU SHU MAN	362,083	1.00
SHI SHENG YUAN	303,000	0.83
CHEN PO TSANG	294,000	0.81
CHEN MEI-FEN	287,035	0.79

Note: List of names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list.

E. Information on share prices, net worth per share, earnings per share and dividends per share:

Item		Year			
		2018	2019	For Year Ending Mar. 31, 2020 (Note 8)	
Market Price per Share (Note 1)	Highest Market Price		30.55	33.55	28.00
	Lowest Market Price		23.50	25.10	21.60
	Average Market Price		26.20	28.49	26.28
Net Worth per Share (Note 2)	Before Distribution		22.44	22.80	23.29
	After Distribution		21.14	-	-
Earnings per Share	Weighted Average Shares		36,288,894	36,288,894	36,288,894
	Earnings Per Share (Note 3)		1.63	2.11	0.62
Dividends per Share	Cash Dividends		1.30	1.60	-
	Bonus Shares	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		16.07	13.50	-
	Price / Dividend Ratio (Note 6)		20.15	17.81	-
	Cash Dividend Yield Rate (Note 7)		4.96	5.62	-

* If there is a capital transfer by surplus or capital reserve, the company shall disclose the market price and cash dividend information that is adjusted retrospectively based on the number of shares to be issued.

Note 1: List the highest and lowest market prices of common stock for each year, and calculate the average market price for each year by the annual turnover and volume.

Note 2: Please fill in the number of shares that have been issued at the end of the year and the allocation according to the resolution of the shareholders' meeting of the next year.

Note 3: If there are retrospective adjustments due to reasons such as free allotments, the pre-adjusted and adjusted earnings per share should be presented.

Note 4: For equity issuance, if dividends that are not distributed in the current year are allowed to be accrued to a year of surplus, the accumulated unpaid dividends should be disclosed separately.

Note 5: P/E ratio = current year average closing price per share / earnings per share

Note 6: Price-dividend ratio = current year average closing price per share / cash dividend per share

Note 7: Cash dividend yield = cash dividend per share / current year average closing price per share

Note 8: The net value per share and earnings per share should be filled in with the information reviewed (audited) by the accountant in the most recent quarter of the date of publication of the annual report. The remaining fields should be filled in with information in the most recent year of the date of publication of the annual report.

F. Company's dividend policy and implementation thereof

(1) Dividend Policy provided in the Articles of Incorporation

Article 19:

- a. After the company has paid its tax and has made up for past loss. When distributing surplus, the first 10% shall be for the legal reserve, and the remainder is added with accumulated undistributed surplus. The special reserve is distributed in accordance with the Securities Exchange Act., and the rest are the accumulated distributable surplus earnings. The above accumulated distributable surplus earnings is used to measure the necessity for the surplus to meet capital demands. The distribution method and the amount of surplus reserve or distribution are determined according to the basic principle of the company's dividend policy, and a surplus distribution proposal is submitted to the shareholders meeting for resolution. The distribution shall be distributed according to the following proportions: the compensation of the directors and supervisors is less than 1%, employees' compensation is 1% to 8%, and the remaining proportion is for shareholder dividends.
- b. The company's dividend policy is based on the consideration of the capital budgeting and the dilution of earnings per share. The amount of dividends from shareholders should be higher than 50% of distributable surplus earnings for the current year. The dividends are distributed in cash dividends of no less than 30%. The dividend payout ratio depends on the profit and capital status of the current year. After the board of directors proposes a distribution plan, it will be adjusted after the resolution of the shareholders' meeting.

(2) 2019 Distribution of stock dividends at the Shareholders' Meeting

2019 Earnings Distribution

Units: NT\$

2019 net profit	
2019 after-tax net profit	76,441,073
Less: Legal reserve	(7,450,583)
Less: Special reserve	(14,276,241)
Less: Other consolidated profit or loss (Actuarial profit or loss on the defined benefit) plan)	(1,935,239)
2019 distributable earnings	52,779,010
Plus: Beginning distributable earnings	100,279,063
Accumulated Distributable Earnings	153,058,073
Distributable items	
Less: Shareholder bonus - cash (NTD 1,600/ thousand shares)	(58,062,230)
Unappropriated retained earnings	94,995,843

Note1 : Undistributed surplus of NT\$52,779,010 in 2019 and undistributed surplus of NT\$1,046,463 in 2018 are distributed at top priority.

Chairman: HO SHU-CHAN , General Manager: LIAO HUNG-YING, Accountant Manager: CHOU TSUI-HSIA

- G. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The company does not need to disclose the 2019 annual financial forecast according to the regulations, so the changes in business performance, the proposed earnings per share and the P/E ratio are not applicable.

- H. Compensation of employees, directors, and supervisors

- (1) Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation: If there is a balance, it will be handled in accordance with the following arrangements for employees' compensation and directors' reward:

- a. Tax Payment.
- b. Make up for past losses.
- c. After deducting paragraphs (A) and (B), a 10% is required for legal reserves and, if necessary, a special reserve is required in accordance with the Securities

Exchange Act.

- d. After deducting paragraphs (A) to (C), the compensation of the directors and supervisors is less than 1%, employees' compensation is 1% to 8%, and the remaining proportion is for shareholder dividends.

Note: Employees' compensation is distributed according to the performance bonus system of the Company and its subsidiaries, performance bonus is based on the recent year's profit and loss and the contribution of each profit center, and the bonus is distributed according to the employee performance appraisal.

- (2) The estimated amount of compensation for employees, directors, and supervisors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure: Employee compensation and rewards of directors and supervisors are based on the amount of money that may be disbursed based on past experience and are calculated by multiplying net profit (after deducting the employee's remuneration and rewards of directors and supervisors) by 1%. After the end of the year, if there is a significant change in the amount of the resolutions of the board of directors, the change will be adjusted to the original annual cost. If the amount still changes at the resolution date of the shareholders' meeting, it will be handled according to the accounting estimates and adjusted in the resolution of the shareholders' meeting. If the shareholders' meeting decides to distribute stock as employee compensation, the bonus shares are determined by dividing the amount of dividends by the fair value of the stock. The fair value of the stock refers to the closing price at the day before resolution of the shareholders' meeting (after considering the impact of the ex-right and ex-dividend).
- (3) Information on the amount of compensation for distribution as approved by the Board of Directors:
- The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed. The amount of employees' compensation approved by the Board of Directors was NT\$996,106, and compensation to directors was NT\$996,106. There was no discrepancy with the actual amount in 2019.
 - The amount of stock dividend and ratio of the total net profit after-tax and

individual employee compensation or separate financial report for the current period: The company's current employee compensation is all in cash, thus it is not applicable.

- In consideration of the proposed distribution of employee compensation and the earnings per share of the directors and supervisors after the remuneration: The employee compensation and the rewards of directors and supervisors have been expensed, thus they have no impact on earnings per share.

(4) The actual distribution of compensation for employees, directors, and supervisors in the previous fiscal year (including number of shares, monetary amount, stock price, shares distributed) and any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors. The discrepancy, cause, and response should be stated:

Unit: NT\$Thousand

	2019			
	Number of distributed shares according to the resolution of the shareholders meeting	Number of distributed shares according to the approval of the board of directors meeting	Diff	Reasons for diff.
Distribution status :				
a.Employee cash bonus	996	996	-	-
b. Employee stock bonus				
(a)Share (Thousand Shares)	-	-	-	-
(b)Amount	-	-	-	-
(c)Percentage of total outstanding company shares %	-	-	-	-
c.Compensation to directors and spervisors	996	996	-	-

- I. Share repurchases: None.
2. Corporate Bonds: None
3. Preferred Shares: None
4. Global Depository Receipts (GDR) : None
5. Employee Stock Warrants: None.

6. New Restricted Employee Shares: None.
7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None
8. The Status of Implementation of Capital Allocation Plans:
 - A. Plan: Previously issued or privately held securities that have not been completed or have been completed in the last three years but planned benefits have not yet been revealed in the latest quarter to the date of publication of the annual report: None.
 - B. Implementation: For the purposes of the various plans in the preceding paragraph, the analysis and comparisons of the implementation situation and the original expected benefit as of the first quarter to the date of publication of the annual report: None.

V. Operational Highlights

1. Business Activities

A. Scopes of the business:

- (1) The main operational categories of the company
 - a. Electronic parts and their products (except pipe products), garments, textiles, hardware machinery, etc. and the import and export business.
 - b. Sales and the import and export of electroplating chemicals (excluding pipe products), electronic printing materials (except pipe products), and electronic printing machinery (excluding pipe products).
 - c. Factory automation computer software and computer integration design, manufacturing, sales and service.
 - d. Production of negative films for industrial printed circuit boards.
 - e. Test computer program and fixture manufacturing for automated test equipment of printed circuit boards.
 - f. The quotation and bidding of the products of Local and foreign manufacturers before the agency.
 - g. Electronic assembly processing and sales (except pipe products).
 - h. CB01010 Machinery and equipment manufacturing.
 - i. CB01020 Office Machines Manufacturing.
 - j. CC01030 Electrical appliance manufacturing.
 - k. CC01050 Data Storage Media Units Manufacturing.
 - l. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
 - m. CC01070 Wireless Communication Equipment and Apparatus Manufacturing.
 - n. CC01080 Electronic Parts and Components manufacturing.
 - o. CD01050 Manufacture of Bicycles and Parts.
 - p. CE01010 Precision Instruments Manufacturing.

q. C802120 Industrial Catalyst Manufacturing.

r. C802030 Paints and Varnishes Manufacturing.

(2) Sales proportion

UNIT: NT\$ thousand

Business Item	Sales in 2019	2019 (%) of Total Sales
Electronic components, equipment and materials	1,013,334	87.80%
Service revenue + Maintenance revenue	91,230	7.90%
Commissions revenue	49,664	4.30%
Total	1,154,228	100%

(3) The company's current product (service) collections

The business model of the Company and its subsidiaries is to introduce new process equipment and application technology sales to the electronic technology industry and to provide customer service, electronic parts production, machine equipment manufacturing and assembly.

Main business items: Printed circuit board equipment and technical services, chemical materials, semiconductor packaging test equipment, electronic assembly equipment, optoelectronic production equipment, solar energy industry related equipment. Also, the assembly, production, sales and customer service of the above equipment and components. The main commodities and related industries of the company and its subsidiaries of the end of the year are described as follows:

a. Printed circuit board

AOI automatic optical inspection machine, AVI automatic visual inspection machine, exposure machine, wet film coating (inner layer/anti-welding), abrasive belt grinding machine, brush grinding machine and other wet process equipment and ceramic brush, RTR plating line, VCP plating related Process equipment, short/break tester, high-density test fixture, solder ball inspection equipment, short circuit/open circuit test OEM and patent and IC Analysis services, vacuum plasma/sputtering equipment, etc.

b. Semiconductor package

Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball moulder, 3D surface profile measurement, SMD Chip Counter, plasma surface cleaning, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine.

c. Optical communication

Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens.

d. Solar industry

Solar cell screen printing line, screen printing machine.

e. SMT electronic assembly

Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, desktop automatic optical inspection machine, parts counter, X-RAY inspection machine, solder paste inspection equipment.

(4) New product (services) development projects:

- High-end packaging process equipment.
- Green energy and industrial automation related equipment.
- New process and high-end process equipment that meet customer needs.
- Materials that meet customer needs.
- Continuous tracking of new products in the market (not limited to the electronics industry)

B. Brief description on industries of the company's main products:

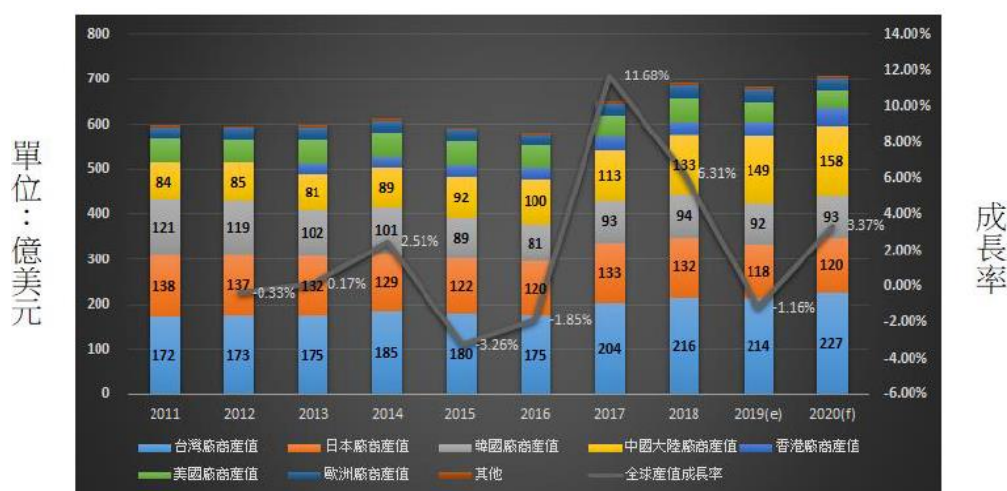
The business model of the Company and its subsidiaries introduces new process equipment and application technology to Taiwan's electronic technology industry. With the printed circuit board as the main axis, it will be extended upwards and

downwards to form a complete sales service system. It will also span the semiconductor packaging and testing equipment, electronic assembly industry, optoelectronic industry and solar energy industry related equipment. Current status and development of industries of the company's main products (the printed circuit board industry, semiconductor industry and optical communication industry) are as follows:

1. Printed circuit board industry

● Industry overview

(1) Global circuit board industry



註：產值包括電路板後段打件組裝

資料來源：TPCA；工研院產科國際所(2020/02)

圖一 全球及各國電路板產值規模趨勢

As shown in Figure 1, the production value scale of global circuit board in 2019 is about \$ US 68.3 billion with the growth rate of -1.2% compared to 2018. The reasons for the slight decline of the global circuit board industry in 2019 are as follows :

1. The end demand in the world generally declines

As shown in Figure 1, almost all of the shipments of end electronic products in which the circuit boards were applied in the world were in decline in 2019. Among them, accounting for a relatively high proportion of circuit board applications, mobile phones have declined for the third consecutive year, and the decline is up to -4.6%, higher than the previous two years. The main reason is that we were still in the conversion period between the new and old

mobile communication generations in 2019. Although some manufacturers have already launched 5G mobile phones, most consumers chose a wait-and-see attitude to postpone buying new mobile phones before the communication infrastructure is complete, and that the leading manufacturer, Apple, will launch a 5G mobile phone in 2020 is also a concern. In addition, Apple's sales volume declined by about 13% in the first half of the year, so even though iPhone 11 was unexpectedly popular with consumers, the iPhone shipments still declined by 4.3% throughout the year. As for the automobile market, since both the two major markets of China and India declined 10%, even though slight growth still appears in the markets of other countries, the overall global automobile sales still declined by nearly 5%, which decrease the need of automobile plates.

表一 2019 年全球主要終端產品出貨量

產品名稱	2019 出貨量(百萬台)	2019 年成長率
手機	1,701	-4.6%
平板電腦	151.4	-4.7%
伺服器	12.5	-3.0%
汽車	90.0	-4.7%
PC	261.2	0.6%

資料來源：Gartner

2. Price reduction of high-end products

Although the demand in the end market has been weak since the past two years, the introduction of new high-end circuit boards in various products has increased, for example, the substrate-like PCB of the mobile phone main board, the rigid-flex boards of the headphones, the large-area ABF substrate ... etc., so the circuit board industry may still be able to maintain higher growth in the situation of shrinking volume with high prices. However, since more and more high-end products enter the market, and plus the expansion of manufacturer capacity is increasing, the prices of high-end products are also decreasing quarter by quarter, which makes the kinetic energy driving the growth of production value

gradually weakened.

3. Emerging applications are still not well-developed

Not to mention the so-called killer applications, the emerging applications with a certain market demand are very rare. Therefore, whether it is an eye-catching new product at the International Electronic Terminal Exhibition, or a new application displayed by circuit board manufacturers, such as intelligent vehicles combined with the network, physiological monitoring with integrated FPC and sensor, high-resolution head-mounted virtual device requiring high-end circuit board support ... etc., all seem to be like the avant-garde clothing on the fashion catwalk, which may win exclamation from the public, but is not easy to get into the general public market.

(2) Taiwan Circuit board industry



資料來源：TPCA；工研院產科國際所(2020/02)

圖二 台灣電路板產值規模趨勢

In 2019, Taiwan circuit board production value broke a new record, which was up to NT \$ 662.4 billion with a growth rate of 1.7% compared to 2018, and has been increasing for three consecutive years. Affected by the global economic downturn and the decline in terminal consumption, the reasons why the production value of Taiwan circuit board may still hit a high level are not only because of the exchange rate factor (devaluation of TWD), but the result of industrial structure adjustment which is the main reason. Concerning leading manufacturers, although the demand for standard mass-produced products has been suppressed, products like the MPI, high-end substrates, substrate-like PCBs, etc., which have been deployed

for 5G development in a long term, play a role in filling the demand gap and bring an important force to lead the growth of the industry. On the other hand, small and medium-sized manufacturers have also develop their business in different niche markets, including rigid-flex boards for wireless headphones and camera lenses, High-speed board for high-level servers, IC test boards, etc., which is also the key minority force of the creation of new high production value. Overall, Taiwan circuit board industry has a fast upgrade cycle, and the precise positioning of the transformation is a key factor for maintaining competitiveness to lead the world. Each manufacturer's operating situation and resources are different in the process, if manufacturers are unable to make strategic positioning within their own minds carefully the thoroughly, they will face greater operational challenges when the industry is entering a situation where barriers appearing in both large and small ends.

- **Future development trends**

(1) The impact that COVID-19 has made to the industry remains to be assessed

Affected by COVID-19, Apple is the first to warn that the original forecast of shipment for the first quarter is difficult to achieve. In addition, observing the current consumer end of China, the sales of electronic products in China in 2020 will decline by at least 5%. However, what is worthy of more attention are the main driving forces that would originally be the driving force for the growth of the circuit board market in 2020, including the launch schedule of various 5G application vehicles, the new computer platform architecture ... Will they be delayed? According to the latest estimates of Gartner, the shipments of smartphone in 2020 will be 80 million fewer than those originally estimated, the annual growth rate will be reduced from 4.9% to 2.6%, and the estimated PC shipment will also be reduced by 3.6 million PCs. Therefore, due to the impact of the epidemic, it seems unavoidable that the growth rate of the circuit board market will be cut in 2020.

(2) It is no longer the only option to make investments in China

About half of the circuit board products in the world are produced in China,

where manufacturers in the countries including Taiwan, Japan, South Korea, and those in Europe and the US all set up factories. What they settle on is the low production cost, the complete supply chain and the large local demand for circuit boards. Especially in Taiwan, more than 60% of the product value depends on the production from the factories in China. Compared with Japanese and Korean manufacturers, the level of our globalized configuration is relatively low. In recent years, since the production advantages of China has been declining, some manufacturers have begun to return to invest in building factories in Taiwan and evaluated the possibility of setting up factories in countries in Southeast Asia.

(3) Capital expenditure is changing the ecosystem among industries

Compared with 2019, the estimates of capital expenditure by major manufactures in Taiwan in 2020 has nearly 100% more growth. If we watch the details of capital expenditure plans issued by other manufacturers, they mostly focus on the capacity expansion of advanced products or optimization and improvement of process; product lines include substrate-like PCB (SLP), advanced PCB, Rigid Flex, HDI...and so on.

The competitive advantages of Taiwan circuit board industry have been built on the leadership of advanced technology and optimization of production management mode; however, due to the market of standard bulk product becomes weak lowering the efficiency of management over the past years, large-scale manufacturers will need to build obstacles behind competition of advanced product with piles of capital in the future; however, water is a boon in the desert, but the drowning man curses it. Although large amount of capital for advanced products represents maintenance of the competitive advantages, there shall be steady orders coming in a long time and in case of any change on the specification requested by customers, it is also a quite considerable challenge and risks for manufacturers to be ready with sufficient base and capability of reform.

2. Semiconductor industry

● Industry Overview

(1) Global semiconductor industry

The annual gross sales value of global semiconductor market in 2019 reached 412.3 billion US dollars, a decline by 12.0% as compared to that in 2018; the total quantity reached 931.9 billion pieces in 2019, a decline by 7.2% as compared to that in 2018; ASP in 2019 showed USD0.442, a decline by 5.2% as compared to that in 2018.

The annual gross sales value of US semiconductor market in 2019 reached 78.6 billion US dollars, a decline by 23.7% as compared to that in 2018; the annual gross sales value of Japan semiconductor market in 2019 reached 36 billion US dollars, a decline by 9.9% as compared to that in 2018; the annual gross sales value of EU semiconductor market in 2019 reached 39.8 billion US dollars, a decline by 7.3% as compared to that in 2018; the annual gross sales value of Asia semiconductor market in 2019 reached 257.9 billion US dollars, a decline by 8.8% as compared to that in 2018, among of which, the annual gross sales value of China semiconductor market in 2019 reached 144.5 billion US dollars, a decline by 8.8% as compared to that in 2018.

(2) Taiwan IC industry

Industry Technology International Institute, ITIS reported total output of Taiwan IC industry in 2019 reaching NT\$ 2665.6 billion (USD\$86.3B), increased 1.7% more than that in 2018, among of which, the output of IC design industry showed NT\$692.8 billion (USD\$22.4B), increased 8.0% more than that in 2018; IC manufacture industry showed NT\$1472.1 billion (USD\$47.6B), a decline by 0.9% as compared to that in 2018, among of which, foundry showed NT\$1312.5 billion (USD\$42.5B), a growth of 2.1% as compared to that in 2018, while memory module and other manufacture showed NT\$159.6 billion (USD\$5.2B), a decline of 20.4% as compared to that in 2018; packaging showed NT\$346.3 billion (USD\$11.2B), a growth of 0.5% as compared to that in 2018; Testing showed NT\$154.4 billion (USD\$5.0B), a growth of 4.0% as compared to that in 2018. The exchange rate of the New Taiwan Dollar to the US Dollar is 30.9.

億新臺幣	2016	2016 成長率	2017	2017 成長率	2018	2018 成長率	2019	2019 成長率	2020 (e)	2020 (e) 成長率
IC 產業產值	24,493	8.2%	24,623	0.5%	26,199	6.4%	26,656	1.7%	27,742	4.1%
IC 設計業	6,531	10.2%	6,171	-5.5%	6,413	3.9%	6,928	8.0%	7,227	4.3%
IC 製造業	13,324	8.3%	13,682	2.7%	14,856	8.6%	14,721	-0.9%	15,285	3.8%
晶圓代工	11,487	13.8%	12,061	13.8%	12,851	6.6%	13,125	2.1%	13,649	4.0%
記憶體與其他製造	1,837	-16.8%	1,621	-11.8%	2,005	23.7%	1,596	-20.4%	1,636	2.5%
IC 封裝業	3,238	4.5%	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,615	4.4%
IC 測試業	1,400	6.5%	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,615	4.6%
IC 產品產值	8,368	2.9%	7,792	-6.9%	8,418	8.0%	8,524	1.3%	8,863	4.0%
全球半導體市場(億美元)及成長率(%)	3,389	1.1%	4,122	21.6%	4,688	13.7%	4,121	-12.1%	4,330	5.1%

資料來源：工研院產科國際所

說明：

註：(e)表示預估值(estimate)。

- IC 產業產值=IC 設計業+IC 製造業+IC 封裝業+IC 測試業。
- IC 產品產值=IC 設計業+記憶體與其他製造。
- IC 製造業產值=晶圓代工+記憶體與其他製造。
- 2017 年起華亞科(為美光子公司)已不列入上述台灣記憶體與其他製造產值計算。
- 上述產值計算是以總部設立在台灣的公司為基準。

● Developmental Trend toward future

(1) Global semiconductor industry

Affected by COVID-19 Pneumonia epidemic globally, some regions were taken with closure measures in China and 14-day isolation and other related epidemic preventive measures, suspending operations among factories there, causing impact on the production of many industries. In accordance with the scene that COVID-19 only impacted Q1 2020, Gartner predicts that normal operation would come gradually in Q2 2020 and the seasonal revenue would have strong growth in Q2 and Q3, but remain failing to compensate the loss resulted from Q1. Gartner revises the global annual growth range of semiconductor market in 2020 to be 9.9%, a decrease by 2.6% as compared to the estimate at the end of 2019, where the scale of global semiconductor market in 2020 is revised lower to USD459.9 billion.

(2) Taiwan IC industry

Taiwan IC industry has kept an up trend with our more complete structural supply chain from the annual output value NT\$714.4 billion in 2000.

Although Asia financial crisis happened in 1997, global financial crisis in 2007~2008 and EU Sovereign debt crisis in 2010 resulting in negative trend of growth in 2001, 2008, 2009 and 2011, up trend remained in other fiscal years, thereby promoting Taiwan IC industry to make a breakthrough of NTD1 Trillion in 2004; NTD 2 Trillion in 2014, and reached NTD2.67 Trillion in 2019, which a new peak of NTD2.77 Trillion would come in 2020, annual growth scale achieves 4.1%.

3. **Optical Communication Industry**

- Overview

The upcoming 5G mobile communication era is based on three features including big bandwidth, low latency and big link, as well as new communication network framework, facilitate diversified type of consumers, corporate and vertical applications to show up, looking ahead technologic development of innovative application, high-frequency millimeter wave and B5G (Beyond 5G) in the future to carry out the ultimacy in the vision of the Internet of Things. Countries including but not limited to USA, South Korea, U.K., Australia released 5G commercial services in 2019, which contained not only mobile wide bandwidth service available for the public, but also vertical application services for corporate clients to anticipate higher market demands across base stations, terminals and others; although 5G service initiated not a long time ago, many challenges remain to face in the market, with gradual maturity of network infrastructure and terminals, highly flexible 5G network will bring about many more new-emerged application services over the network.

ITRI's estimate shows that the output of Taiwan communication device industry in 2019 (included network communication device and personal mobile terminal) would come with NTD997.9 billion, a slight decline of 1.8% as compared to that in 2018. Looking ahead the performance of Taiwan communication industry in 2020, with the constant expansions of demands in the Internet of Things and cloud applications, plus with the emerged technologic development in network virtualization, LPWAN, AI, 5G, edge

computation and others, the demand for wired and wireless communication product would rise up accordingly, expecting its overall output in 2020 to reach NTD116.9 billion, a growth rate of 1.9% annually.



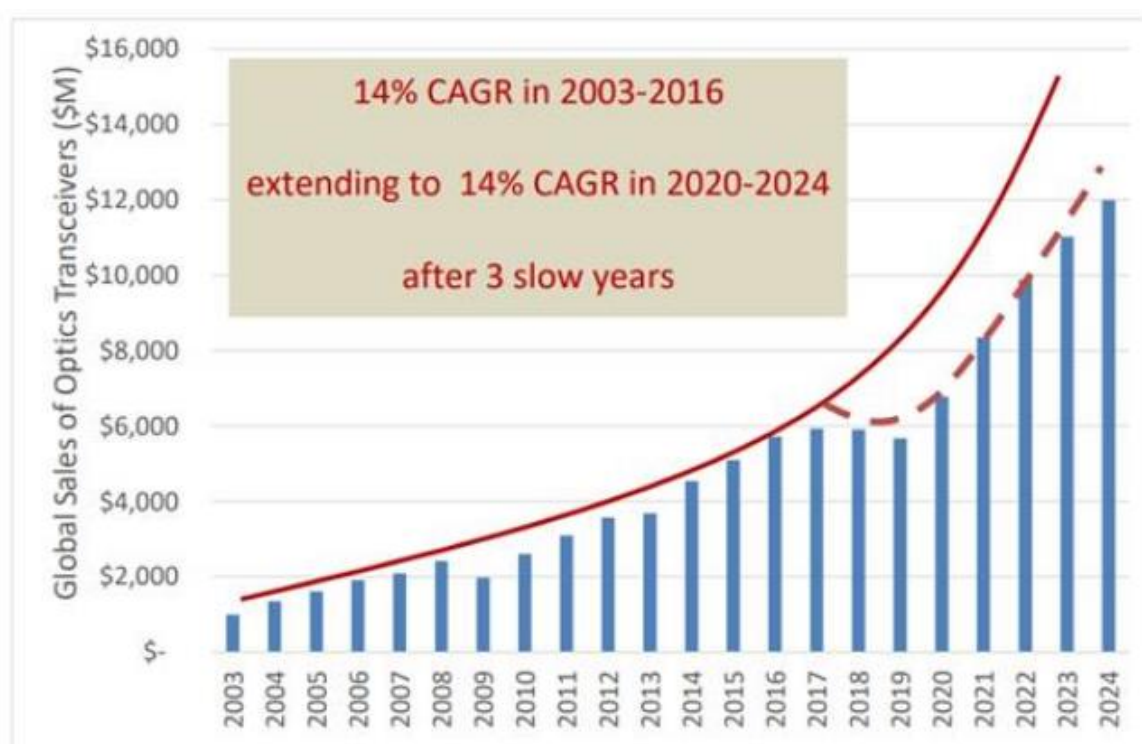
- The trend of development toward future

Continued from the new released 5G mobile phones by Samsung, Xiaomi, OPPO, Huawei and other manufacturers, we also may announce the upcoming 5G era; meanwhile, related infrastructure also will initiate on large deployment range in next year (2020). Besides, optical communication factory mostly plays a vital role in 5G infrastructure. Taiwan optical communication manufacturers have initiated their cooperation with customers for huge 5G business opportunities, plus small-scale shipment of 5G-related products also begun, a kind of active 5G engagement among markets.

With the feature of high frequency, 5G base stations cover in small area, requiring more base stations and small cells to assure completeness of signal coverage. Industries would estimate it at least 3-4 times more than the quantity of 4G base stations, and the number of optical communication components or optical fiber required would be also multiple times more than that of 4G base stations. Crowds of data centers also are transforming to optical fiber transmission step by step to speed up signal delivery.

What is more, midhaul is added into the framework of 5G, in addition to the extension of the 4G's fronthaul and backhaul, which makes considerable request of optical transceiver module. Indicated from the estimates of LightCounting, the speed of incremental quantity of sold optical module globally sluggish in recent years; however, with 5G deployment and startup, it is coming back to the growth track since 2020 and the compound growth rate is expected to be 14% from 2020 to 2024 that new opportunity of growth would be about to come for the sluggish optical communications industry.

Sales of Global optical transceiver module



資料來源：LightCounting

Besides, for the IDC market, large-scale network companies including but not limited to Google, Amazon, Facebook and Microsoft, have initiated to introduce 400G optical communication modules, which brings about large-scale growth to the demand.

Amazon has tested the 400G platform in Q3, 2019, and will activate 400G deployment in the first half of 2020; Facebook will also purchase 200G in small

batches in the first half of 2020. Besides, some large-scale data centers in China proposed to include 400G from the end of 2019 to 2021, also, large-scale technology companies including but not limited to Alibaba and Tencent in China would plan to upgrade to 400G in the second half of 2020 step by step.

Major Technologists have initiated their plan of data centers, driving significant increase of the use of optical communication modules jointly. Even if orders delay due to COVID-19, the growth momentum will come absolutely upon it fades.

C. Relevance of upstream, midstream and downstream companies

In the agency equipment industry, the upstream is the supplier, and the function of the agent is to study the equipment needed for the manufacturing process of downstream terminal customers in each industry. TKK's main business is similar to the above.

It would find the most suitable equipment specially designed for the downstream customers' manufacturing process, and introduce new equipment for the customer's new manufacturing process or introduce the next-generation processing equipment for the industry to enhance the customer's competitiveness.

D. Various development trends and competition of products

Electronic products continue its development towards light, thin, short, and small products, the quality requirements are further improved, and advanced countries are more demanding for green energy and lead-free environmental protection processes. This would again promote equipment upgrades.

The entry barrier of the agency equipment industry is not very strong, and the ability of Taiwanese manufacturers to make their own equipment gets better day by day. In the case of fierce competition and reduced demand, the life cycle of agent equipment would continue to shorten. And in this highly competitive industry, TKK would continue to grow with the introduction of higher-order and new-process technologies and equipment to enhance its competitiveness.

E. Technology and R & D Overview:

- a. Successfully developed technologies or R & D products from the most recent year to the end of publication of the annual report:

With the technical support by suppliers, the products represented, manufactured or assembled by TKK and its subsidiaries are committed to developing new process equipment, materials and technologies for the existing electronics industry according to the needs of customers. In addition, TKK is also actively developing new products in the semiconductor, solar energy, optoelectronics, and chemical materials industries. The company provides customers with the most advanced future technologies and demonstrate its channel distribution system through the technical support by suppliers.

1. Expected future R&D plans and expenses from the most recent year to the end of publication of the annual report:

The subsidiary has many years of practical experience in R & D, production and assembly of electrical test fixtures and equipment, and has independently trained a R & D team with innovation and improvement capabilities. This team is highly competitive in the market. The R & D expenses in 2019 are close to NT\$5.5million, and it is expected that there will continue to be a considerable amount of R & D expenses this year and next year.

R & D expenses from the most recent year to the end of publication of the annual report:

Item \ Year	2018	2019	For Year Ending Mar. 31, 2020
R & D expenses (A)	5,846	5,481	1,191
Net Operating Revenue (B)	1,136,575	1,154,228	385,404
(A)/(B) %	0.51%	0.47%	0.31%

F. Long-term and short-term business development plans:

(1) Short-term plan

- a. Enhance the quality and efficiency of existing customer support services and improve customer satisfaction.
- b. Introduce more advanced equipment and materials depending on

customer and industry needs.

c. Develop agency for new products with high added value.

d. Increase the number of foreign strategic alliance partners to enter new technology fields.

e. Improve production and assembly processes and shorten delivery times.

(2) Long-term plan

a. Introduce advanced and sophisticated process equipment, materials and technologies from all industries based on the customer and industry needs.

b. Continue to develop universal electronic components.

c. Develop a low-pollution and high-performance product line.

d. Introduce high-end products targeted at the High End product line.

e. Improve the professional quality of employees and increase the efficiency of business operations.

f. Stabilize credit, reduce the possibility of bad debts, and cooperate with the Group's long-term business development plan to make sound planning and control of funds.

2. TKK Market and Sales Overview

A. Market analysis:

(1) Sales areas of TKK's main product

Year	2018		2019	
	Sales	%	Sales	%
Local sales	814,717	71.68	728,921	63.15
Export sales	321,858	28.32	425,307	36.85
Net Operating Income	1,136,575	100	1,154,228	100

(2) Market share

Due to the success in capturing market trends and the R & D of advanced processes, the company has established a good reputation in the market for more

than 30 years and has built up the excellent ability as an agent, thus it has priority to be the agent of high-end products. After obtaining the agency rights, these advanced equipments or technologies will be actively introduced to the electronics industries in Taiwan through exhibitions, technical seminars and new product briefings, which would enhance the technical level of customers, increase competitiveness and create a win-win solution on creativity for Taiwan's electronics industry.

Although the highly competitive industry would reduce the market share of the TKK's agency products, the company continues its strategy on introducing high-end products and to become the professional agent with the highest market share in high-tech products in the Greater China Region.

(3) Competitive niche, favorable development prospects, unfavorable factors and countermeasures

a. Competitive niche and favorable factors:

■ Continuous development of quality products

Over the years, the electronics industry has been continuously upgraded and transformed. The company has penetrated the industry and accurately grasped the transformation of the industry. Its agent products have been closely related to the development of the industry and market trends.

■ Experience in establishing a channel marketing network

Since the company was established in 1977, it has adapted sales channels to Taiwan, China, Japan, Hong Kong, Philippines, Singapore, Thailand and other countries, and has formed a stable marketing network with excellent international competitiveness.

■ Long-term customer and supplier relationships

The company's business philosophy is "integrity". TKK has an intimate relationship with its customers and suppliers as they have grown together over the years, and experienced the difficult times and development of the Taiwan's electronics industry.

- Excellent and experienced service team

In addition to having a deep understanding of the industry, the company also cooperates with professional technical and logistics personnel to form a strong service team, so it can provide customers with high efficiency and high quality professional services.

- Stable financial policy

The company adopts a stable financial policy that does not expand credit and does not invest in industries that are unfamiliar or unrelated to the industry.

b. Unfavorable factors and countermeasures

- Short technology life cycles:

The process or technology of the electronics industry is progressing rapidly, with a short life cycle on equipment or technology. In addition, the improvement of the ability of Taiwanese manufacturers on self-made products is also a major problem for the company.

Countermeasures:

Continuously improve the technical capabilities of the new product development team, and quickly collect market intelligence and negotiable agency contracts through the alliance of companies that set up subsidiaries in the United States and Japan.

In addition, the company has also established subsidiaries in Taiwan and China, reducing the geographical restrictions and time differences in providing services. At the same time, through the recruitment of consultants from the United States, Germany and Japan, we regularly provide the latest developments in the industry and market information, so that the company can keep abreast of the latest technological pulse and grasp the opportunities of market development.

- Offshore migration of the manufacturing industry:

Since China and Vietnam have relatively low-cost labor and land

resources, manufacturers who want to reduce production costs will set up factories in these countries.

Countermeasures:

Establish a subsidiary in China to build a complete technical support service network, in order to provide services to existing customers, and have the opportunity to serve customers in China. The assessment on whether to establish service centers in Vietnam and other regions is based on the needs of downstream customers.

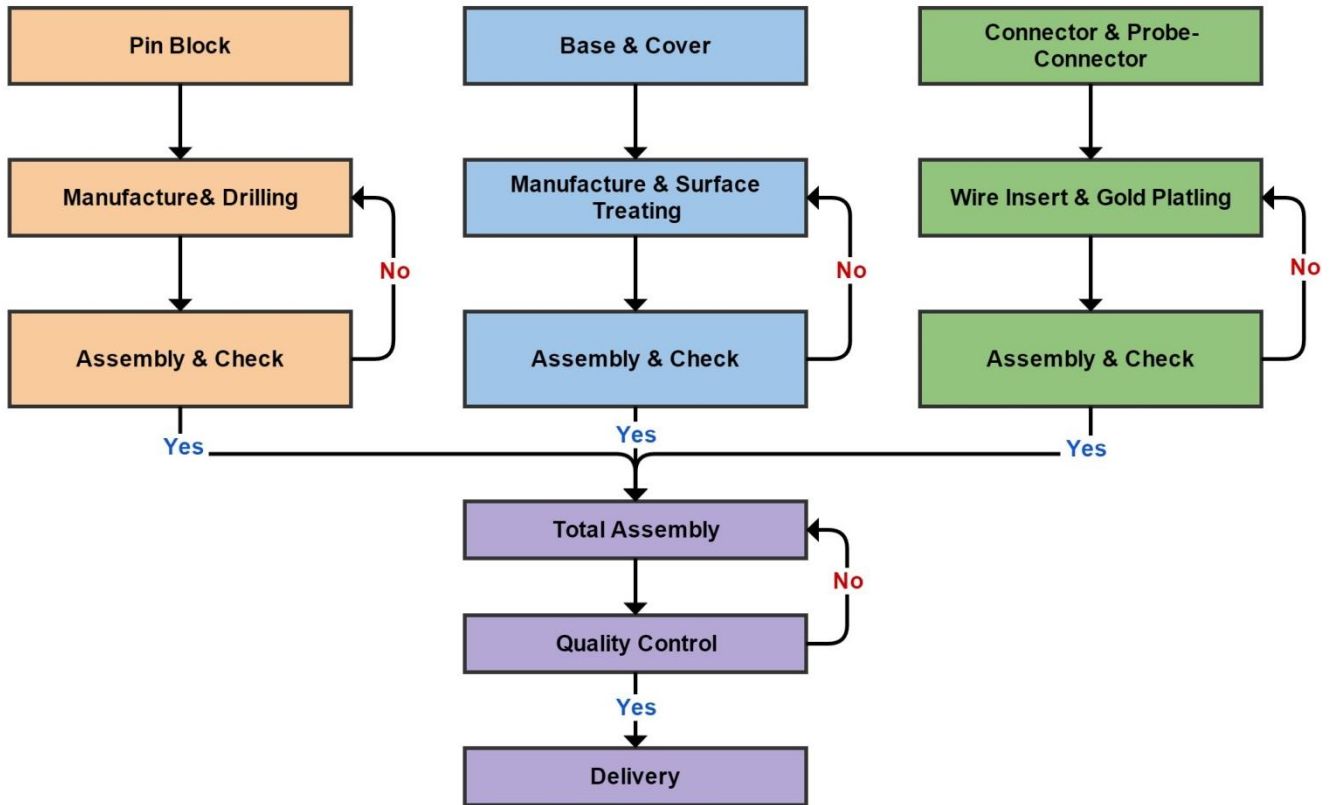
B. TKK Market and Sales Overview

(1) Main products' important functions

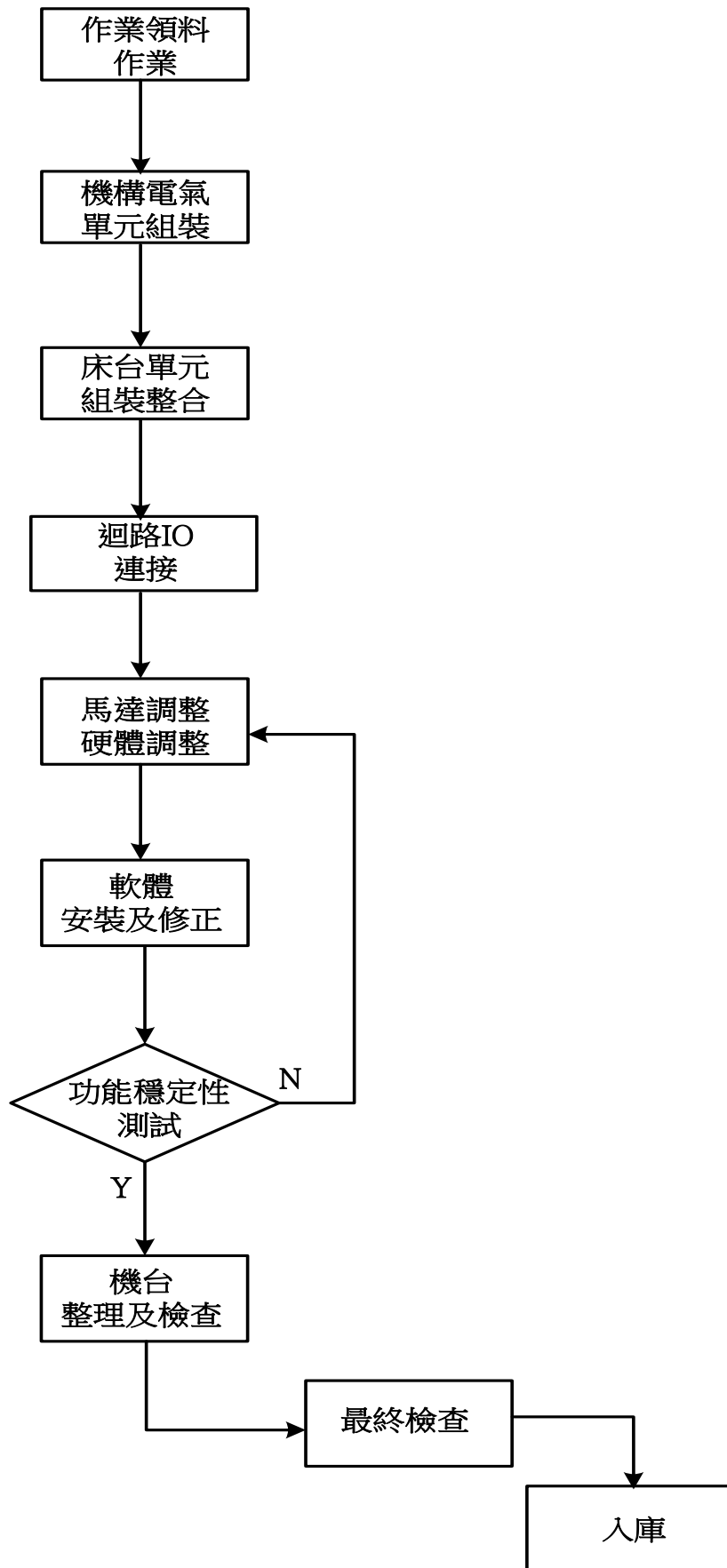
Main product type	Main products	Functions
Electronic components, equipment and materials	AOI automatic optical inspection machine, AVI automatic visual inspection machine, exposure machine, wet film coating (inner layer/anti-welding), abrasive belt grinding machine, brush grinding machine and other wet process equipment and ceramic brush, RTR plating line, VCP plating related Process equipment, short/break tester, high-density test fixture, solder ball inspection equipment, short circuit/open circuit test OEM and patent and IC Analysis services, vacuum plasma/sputtering equipment, etc.	Printed circuit manufacturing
Semiconductor package and manufacturing equipment, and electronics assembly.	Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball moulder, 3D surface profile measurement, SMD Chip Counter, plasma surface cleaning, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine.	Semiconductor package and manufacturing, and electronics assembly.
Assembly equipment, components and materials for optical communications module	Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens.	Optical communication industry, high-power laser module, precision optical assembly, extreme sensor assembly
Solar energy production process	Solar cell screen printing line, screen printing machine.	Solar industry
SMT electronic assembly	Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, desktop automatic optical inspection machine, parts counter, X-RAY inspection machine, solder paste inspection equipment.	SMT assembly
Others	Export business for Taiwan's sophisticated equipment products, electrical testing of the generation of processing.	

(2) Main products' production process

- Production process of the electrical test fixture:



- Equipment assembly process:



C. Primary raw materials of main products

(1) Primary raw materials

Most of the raw material suppliers of the Company and its subsidiaries are well-known domestic and foreign manufacturers. The source of supply is quite stable with little price fluctuations. The company developed a close relationship with various suppliers and established a high level of cooperation.

Domestic suppliers mainly provide processing of metal raw materials, and the supply is sufficient.

(2) List of major suppliers

Supplier name	Main shipping items
WKK JAPAN LTD.	Printed circuit board processing equipment and components.
Rorze Technology, Inc.	Semiconductor electronic equipment and components
ficonTEC Service GmbH	Assembly equipment, components and materials for optical communications module.

D. The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the last two fiscal years:

(1) The clients that accounted for more than 10% of the total sales in the last two fiscal years:

Item	2018				2019				As of end of Q1 2020(Note 2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	ASE Group	192,058	16.90	-	ASE Group	244,037	21.14	-	COMPEQ GROUP	77,820	20.19	-
2	Career Tech.	116,604	10.26	-	COMPEQ GROUP	185,437	16.07	-	KINSUS	38,879	10.09	-
3	KINSUS	97,894	8.61	-	KINSUS	112,843	9.78	-	ASE Group	38,264	9.93	-
	Others	730,019	64.23		Others	611,911	53.01		Others	230,441	59.79	
	Net Total Supplies	1,136,575	100.00		Net Total Supplies	1,154,228	100.00		Net Total Supplies	385,404	100.00	

Reasons for change: The difference across 2 years is mainly caused by COMPEQ GROUP procured equipment for the process of printed circuit board in 2019.

Note 1 : The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2 : Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

(2) The suppliers that accounted for more than 10% of the total purchases in the last two fiscal years

Item	2018				2019				As of end of Q1 2020(Note 2)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	WKK JAPAN LTD.	171,029	24.98	Interested Party	WKK JAPAN LTD.	252,475	33.67	Interested Party	WKK JAPAN LTD.	92,760	38.07	Interested Party
2	Rorze Technology, Inc.	100,141	14.63	-	Rorze Technology, Inc.	124,781	16.64	-	INSPEC INC	33,329	13.68	-
	Others	413,475	60.39		Others	372,623	49.69		Others	117,536	48.25	
	Net Total Supplies	684,645	100.00		Net Total Supplies	749,879	100.00		Net Total Supplies	243,625	100.00	

Reasons for change: None.

Note 1 : The number of suppliers and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2 : Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

E. Output analysis for the last two years:

Unit: NT\$ thousand; Set

Year	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Manufacturing division	716	413.5	58,360	836	446.5	50,257
Total	716	413.5	58,360	836	446.5	50,257

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary temporary shutdowns, holidays, etc., using the company's existing production equipment.

Note 2: The production of each product is substitutable. It is necessary to calculate the consolidated production capacity, and it shall be listed in the note.

F. Sales value for the last two years:

Unit: NT\$ thousand

Year	2018				2019			
	Local Sales	%	Export Sales	%	Local Sales	%	Export Sales	%
Customer Service	118,932	14.6	7,945	2.47	117,081	16.06	13,232	3.11
PCB division	321,324	39.44	235,084	73.04	263,325	36.13	322,226	75.76
Electronics division	374,461	45.96	66,759	20.74	340,765	46.75	79,791	18.76
Manufacturing division	0	0	12,070	3.75	7,750	1.06	10,058	2.37
Total	814,717	100	321,858	100	728,921	100	425,307	100

G. Historical performance indicators:

Year		2015	2016	2017	2018	2019
Analysing Item	Return On Assets (%)	8.85	6.56	2.30	5.33	7.01
	Return On Equity (%)	11.45	8.44	2.88	6.75	9.28
	Pre-tax net profit as a percentage of paid-in capital (%)	35.25	28.27	8.86	20.83	27.32
	Net profit margin (%)	11.72	8.83	3.31	5.02	6.60
	EPS (NT\$)	2.67	2.03	0.68	1.63	2.11
	Historical performance indicators					

H. Key performance indicators :

Item		Year				
		2015	2016	2017	2018	2019
Performance indicators	Accounts receivable turnover (times)	4.44	4.64	4.54	6.73	6.29
	Average collection period	82.21	78.66	80.40	54.23	58.03
	Inventory turnover (times)	8.31	8.14	7.83	14.26	13.49
	Accounts payable turnover (times)	4.90	4.88	5.25	8.98	7.24
	Average Sales Period	43.92	44.84	46.62	25.59	27.06

3. Information on the employees employed (during the current quarter up to the date of publication of the annual report)

Item / Year		2018	2019	For Year Ending Mar. 31, 2020
Number of Employees	Managers	43	46	46
	Technical service	120	118	118
	Business Marketing	30	28	28
	Administrative	54	56	56
Total		247	248	248
Average Age		39.32	40.02	40.25
Average Years of Service		9.71	9.13	9.31
Education (%)	Masters	6.07%	4.35%	4.34%
	Bachelor's Degree	85.02%	82.57%	82.39%
	Senior High School	8.91%	12.72%	12.91%
	Below Senior High	0.00%	0.34%	0.34%

4. Disbursements for environmental protection

As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future.: Not applicable

5. Labor Relations

A. Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures.

(1) Employee benefits:

- a. Labor insurance, health insurance and group insurance.
- b. Organize employee travel depending on business conditions.
- c. Employee's birthday reward.
- d. Three bonuses or rewards for employees.
- e. Gifts or condolence money for employees' wedding or mourning ceremonies.
- f. Organize recreational and group activities for employees.

(2) Continuing education and training

The Company and its subsidiaries provide staff education and training to enhance their professional competence and reserve technical and management talents, and to cooperate with the company's business development and seek effective labor utilization. The Company and its subsidiaries have established educational training management methods.

The 2019 major employee education training courses are listed as follows:

Training course	External	Internal
Number of trained employees	241	1,208
Expenditure (NT\$Thousand)	350	31
Training course	(Dispatched for overseas training) Description of GKG D510 Dispenser	1--145 minutes - Workplace Mandatory Function application by Excel
	【Follow-up Occupational Training】 Occupational educational training of occupational safety & healthcare for "Business Supervisors" (Supervisors, A, B, C) (excluded construction industry)	Slashie makes a dream of plug-in life come true
	Ordinary Healthcare & Safety educational training	English Rapid Memory
	Occupational follow-up trainings on hazard operation for operating supervisors (Follow-up training for supervisors on organic, lead, tetraalkyl lead, anoxic, special chemical substance, dust operations)	Logical thinking power
	(Work sheet) CVS Educational Training	AutoCAD 2008 2D Drawing Engineering
	(Dispatched for overseas trainings) MIT C340 Training	AutoCAD 2012 2D Introduction: User interface and basic features
	(Dispatched for overseas trainings) JT Reflow & Wave Trainings	Excel 2013 Actuarial Master
	Lease & Tax educational activity for "2019 Business Invoice Promotion & Taxation Law Seminar (Part II)"	Windows10 basic operation
	Seminar of "Monitoring X backups, NAS Clear" AIoT Monitoring application	Artificial Intelligence: Opportunities across industries in Taiwan
	【3-Day Package】 Preparatory Training Program for first-day onboarding auditors	Cognition and Awareness of a Company Leader
108B050 Skills for efficient file and time management as well as scheduling agenda of	How to become a proposal ace	

Training course	External	Internal
	meetings	
	108B077 Cross-departmental collaboration and skills of troubleshooting	How to prevent from labor dispute and create win-win situation
	108B078 Strengthen workplace competitive advantage, know-how and capability K3 troubleshooting, analysis and feedback	Master of communication
	108B084 Trainings on Practices for Customer complaint treatment and positive emotional management	Activity design and management
	108B087 【On-duty & effective communication】 Training for building on-duty team through quality communication	Solution & analysis on talent recruiting concept pursuant to the Employment Service Law
	108C025 Seminar on promotion of workplace skills of expressions - build personalized art and charming among talks	Master the latest Company Act and money laundering prevention Act
	108C028 Win-win business negotiation strategy and conflict management skills	Introduction to intelligent property right and management practices
	2019 Seminar on unified invoice promotion and taxation law (Part II)	Conceptual logical thinking of super salesman
	2019 Presentation of laws and regulations governing duty providers declaring turnover and operation of internet declaration system	Sales and business negotiation skill WorkShop
	2019 Presentation on current state of amendments to the Labor Act and occupational disaster	Coordination across geographic regions is easy
	2019 Cloud Edge Summit on Taiwan Cloud	Logical thinking capability
	2019 Nutanix Taiwan User Conference	(Dispatched for overseas training - oral report)JT Reflow Training
	ATRI-10 AOI Inspection SW	Philoptics Exposure Machine Educational Training
	B2B Customer operational strategy study program	A I
	Domino Family Happy & Warm Union for Future!	Successful skill for efficient business communication
	(Dispatched for overseas training) Description of GKG D510 Dispender	1--145 minutes-Excel Workplace Mandatory Function application by Excel
	【Follow-up Occupational Training】 Occupational educational training of occupational safety & healthcare for "Business Supervisors" (Supervisors, A, B, C) (excluded construction industry)	Slash power achieves plug-in life.
	Ordinary Healthcare & Safety educational training	Fast memorizing English
	Occupational follow-up trainings on hazard operation for operating supervisors (Follow-up training for supervisors on organic, lead, tetraalkyl lead, anoxic, special chemical substance, dust operations)	Logical way of thinking

(3) Retirement system and its implementation

The company has established a retirement management regulation, and employees can apply for their own retirement when the following conditions are met:

- a. Employed for more than 15 years and is over 55 years old.
- b. Employed for more than 25 years.
- c. Employed for more than 10 years and over 60 years old

The method of providing pensions is clearly set out in the management method and is described as follows:

i. Old pension allocation systems

In accordance with relevant laws and regulations, the company allocates no more than 2% every month employee's pension reserve based on the total salary of employees.

ii. New pension allocation systems

The new Labor Pension Regulations went into effect on July 1, 2005, and the company allocates no less than 6% of the monthly salary of employees who are deemed qualified base on relevant laws and regulations. This amount shall be deposited to the employee's pension account, which was appointed by the central competent authority.

In addition, the Company also holds quarterly pension management committee meetings to review the status of pensions and implementation. The participants in the meeting include representatives of management and the employees within the company. Since the beginning of 2019, a total of 5 meetings have been held:

Date of Meeting	Attendance (4 employees representatives and 2 management representatives)	New pension allocation %	Old pension allocation	Calculation end date of old pension allocation
Feb 14, 2019	5	6%	30,584,021	107/12/31
May 21, 2019	6	6%	32,018,508	108/3/31
Aug 14, 2019	6	6%	32,286,018	108/6/30
Nov 21, 2019	6	6%	30,815,182	108/9/30
Feb 12, 2020	5	6%	31,280,153	108/12/31

(4) Managers' annual participation of education and training related to corporate governance

Title	Name	Training Date	Organizer	Training Course	Training Hours
General Manager	LIAO HUNG-YING	Nov 3, 2019	Taiwan Printed Circuit	New focus on corporate sustainable	3.0

Title	Name	Training Date	Organizer	Training Course	Training Hours
			Association	development	
		Dec 17, 2019	Taiwan Printed Circuit Association	Data security risk and business secret protection of Hi-tec industry	3.0
Deputy General Manager of the Management Division	CHEN MEI-FEN	Nov 3, 2019	Taiwan Printed Circuit Association	New focus on corporate sustainable development	3.0
		Oct 29, 2019	Taiwan Printed Circuit Association	Retain elites; introduction to employee bonus/renumeration by shares system	3.0
		Dec 17, 2019	Taiwan Printed Circuit Association	Data security risk and business secret protection of Hi-tec industry	3.0

- (5) Relevant certifications of the personnel involved in the transparency of the company's financial information:

Certification	Number of people	
	Financial Personnel	Auditor
Taiwan's Certified Public Accountant CPA	0	0
Certified Internal Auditors CIA	0	0

- (6) Retirement system and its implementation: Provide monthly pension preparations in accordance with the Labor Retirement Regulations, and apply for a pension according to the provisions of the Labor Standards Act in order to encourage long term services of employees and professionals. The company regularly holds meetings of the Organization of Supervisory Committee of Business Entities.

- (7) Labor agreements: TTK holds labor meetings on a regular basis, and discuss the resolution of employee opinions in a timely manner in order to maintain harmonious labor relation. Since it is established in 1977, it has not suffered any losses due to labor disputes, and will continue to maintain a more harmonious labor relationship in the future. The subsidiary also communicates with staff member maintain a good relationship between the management and employees.

B. Working environment and employee safety protection measures

The establishment of the group for planning and promoting the safety and health policies and management systems of the Company and its subsidiaries, and auditing the relevant implementation results, their main tasks are as follows:

- (1) Conduct labor safety and health education and training according to the Occupational Safety and Health Act to prevent occupational disasters and ensure the safety and health of employees.
- (2) In order to prevent occupational disasters, the company conducts an annual employee health check to ensure the physical and mental health of employees.
- (3) Conduct water quality testing of drinking water at least once a year to ensure water sanitation and employee health.
- (4) Test the carbon dioxide concentration of the indoor office environment at least once

a year to ensure a comfortable working environment and employee health.

- (5) Purchasing protective equipment for work safety according to the operational needs of the department to prevent occupational disasters and ensure the safety and health of employees.
- (6) Provide employees with at least 3 hours of labor safety and health education and training twice a year to establish the correct occupational safety and health knowledge of employees to avoid occupational disasters.
- (7) Strengthen the training of first-aid personnel and strengthen the initial first-aid knowledge and technology of the company's colleagues, so as to be able to play the role of self-saving and saving others in the event of a disaster.
- (8) Coordinate with the relevant contracting requirements of the customer and the management requirements of the factory to make appropriate publicity to ensure the safety and health of the relevant colleagues in the customer's workplace to prevent occupational disasters.

C. Employee behavior or ethical rules:

In order to let all employees understand employee behavior and ethics, the relevant regulations are set up for the management of the company and all employees to follow. It is announced in the company's internal network announcement area to provide all colleagues with any inquiries at any time. The rules are briefly described as follows:

- (1) Rules of Employee Ethics: The “TKK&YOU” Employee Ethics Rules are summarized as follows:
 - a. The core values are integrity, professionalism, diligence, unity and harmony.
 - b. Adhere to the Company with integrity, diligence, unity and professionalism. °
 - c. Service the Company with a spirit of enthusiasm.
 - d. The Company's intellectual property and business secrets should be protected, and the information obtained in the professional relationship should be kept confidential.
 - e. Professional skills should be continuously enriched to improve service quality.

- f. Abiding by the law and taking the best interests of the company as a priority.
- g. Never seek personal interests or personal matters to influence the company.
- h. Treat colleagues with respect, courtesy and sincerity.
- i. Abide by the Company's regulations and fulfill the powers and responsibilities assigned by the company.
- j. Commitment to improving the Company's policies, service procedures and service effectiveness.

(2) Establish relevant rules to conduct for the safety and health management of the work environment and the personal safety protection of employees to ensure the safety and sustainable development of the company and enhance the corporate image:

- a. Establish rules for safety and health working.
- b. Establish a checklist for general safety and health facilities.
- c. Establish traffic safety rules.
- d. Establish rules of office safety and health.
- e. Establish electrical safety rules.
- f. Establish computer operating safety rules.
- g. Establish rules of safety and hygiene for hand tools.
- h. Establish fire safety rules.
- i. Establish material handling and storage rules.
- j. Establish safety rules for overhead operations.
- k. Establish practice rules for hazardous chemicals.
- l. Establish practice rules for organic solvents.
- m. Set up a fire extinguisher checklist.
- n. Set up an automatic inspection schedule.

D. As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future::

The labor relations between the company and its subsidiaries are harmonious,

and no labor disputes have occurred. The Company and its subsidiaries attach great importance to the welfare of employees, and always pay attention to changes in the main and objective environment and revise various welfare measures to meet the needs of employees. It is estimated that there will be no losses due to labor disputes in the coming year.

6. Important sales contracts and sales agency agreements

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales Agency	Cedatec srl (Italy)	2016.01.20~2017.01.19 (Automatic extension)	High-frequency hot melt machine and press equipment sales agent	Restricted to: Taiwan, China
Sales Agency	ficonTEC Service GmbH (Germany)	2015.02.01~2017.01.31 (Automatic extension)	High precision placement machine sales agent	Restricted to: Taiwan, China
Sales Agency	Furnace Co., Ltd. (Japan)	2005.12.20~2006.12.19 (Automatic extension)	Roller Coater & Oven's sales agent	Restricted to: Taiwan, Hong Kong, China
Sales Agency	Inspec Inc. (Japan)	2011.06.02~2013.06.01 (Automatic extension)	AOI, AVI's sales agent in PCB	Restricted to: Taiwan, China
Sales Agency	Kamitsu Co., Ltd. (Japan)	2013.10.07~2015.10.06 (Automatic extension)	Ceramic brush sales agent	Restricted to: Taiwan, China
Sales Agency	Nidec-Read Corporation (Japan)	2017.10.19~2019.10.18 (Automatic extension)	High density substrate testing machine sales agent	Restricted to: Taiwan, China
Sales Agency	Philoptics Co., Ltd. (South Korea)	2015.10.22~2017.10.21 (Automatic extension)	RTR exposure machine and lamination machine sales agent	Restricted to: Taiwan, China
Sales Agency	Rorze Technology Incorporated (Taiwan)	2009.11.25~2011.11.24 (Automatic extension)	Japan automatic wafer transfer machine sales agent	Restricted to: Taiwan, Hong Kong, China
Sales Agency	SIKAMA International, Inc. (USA)	2004.06.04~Indefinite Date	Wafer bump reflow oven sales agent	Restricted to: Taiwan, China
Sales Agency	Technopro Marugen Co., Ltd. (Japan)	2014.02.25~2017.02.24 (Automatic extension)	Brush mill and belt mill sales agent	Restricted to: Taiwan, China
Sales Agency	WKKJ (Japan)	2007.01.01~2009.12.31 (Automatic extension)	HIOKI testing machine and related products sales agent	Restricted to: Taiwan
Sales Agency	Yxlon International GmbH (Germany)	2009.04.01~2011.03.31 (Automatic extension)	X-ray equipment sales agent	Restricted to: Taiwan, Taiwanese companies in China
Sales Agency	Eastek (Taiwan)	2012.07.23~2013.07.22 (Automatic extension)	Ez-Fly and Ez-Car sales agent	Restricted to: Taiwan, China, Japan, Southeast Asia
Sales Agency	Ushio Taiwan, Inc. (Taiwan)	2011.05.03~2013.05.02 (Automatic extension)	Exposure machine lamp sales agent	Restricted to: Taiwan

VI. Overview of the Company's Financial Status

1. Financial Summary for The Last Five Years:

A. Consolidated Condensed Balance Sheet

Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					For Year Ending Mar. 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		921,390	834,670	730,772	752,592	782,697	893,994
Available-for-sale financial assets-non current		11,973	17,760	13,843	-	-	-
Financial assets measured at cost- non current		20,620	50,222	47,457	-	-	-
Gain from financial assets at fair value through profit/loss- non current		-	-	-	14,123	22,567	13,931
Gain from financial assets at fair value through other comprehensive income- non current		-	-	-	37,313	30,072	24,136
Property, Plant and Equipment (Note 2)		268,946	262,451	247,849	222,188	245,729	242,629
Right-of-use asset		-	-	-	-	3,880	3,078
Net investment in capital assets		4,319	4,277	4,236	4,194	-	-
Intangible assets		1,221	2,489	4,228	3,555	2,104	1,523
Other assets		23,663	21,020	25,477	31,163	28,111	25,846
Total assets		1,252,132	1,192,889	1,073,862	1,065,128	1,115,160	1,205,137
Current liabilities	Before distribution	259,388	222,558	164,947	219,539	250,780	324,925
	After distribution	346,481	288,604	184,906	266,715	-	-
Long-term and other liabilities		33,069	30,632	33,373	30,898	36,831	35,171
Total liabilities	Before distribution	292,457	253,190	198,320	250,437	287,611	360,096
	After distribution	379,550	319,236	218,279	297,613	-	-
Interests attributable to parent company owner		854,268	839,212	783,026	814,265	827,319	844,408

Item \ Year		Financial Summary for The Last Five Years (Note 1)					For Year Ending Mar. 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Capital stock		362,888	362,888	362,888	362,888	362,888	362,888
Capital surplus		49,699	49,699	49,699	46,759	46,759	46,759
Retained earnings	Before distribution	440,115	426,205	382,136	428,586	455,917	478,545
	After distribution	353,022	360,159	362,177	381,410	-	-
Other Interests		1,566	420	(11,697)	(23,968)	(38,245)	(43,784)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		105,407	100,487	92,516	426	230	633
Total equity	Before distribution	959,675	939,699	875,542	814,691	827,549	845,041
	After distribution	872,582	873,653	855,583	767,515	-	-

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Those who have applied for asset revaluation in the current fiscal year shall list the date of processing and the revaluated amount.

Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 4: The above are financial information after allocation, please fill in the information according to the next year's resolution of the shareholders meeting.

Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Consolidated Condensed Income Statement

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					
	2015	2016	2017	2018	2019	For Year Ending Mar. 31, 2020 (Note 2)
Operating revenue	919,188	908,474	789,602	1,136,575	1,154,228	385,404
Gross profit	371,251	359,831	276,881	335,166	340,945	94,948
Income from operations	100,480	92,507	20,437	59,969	66,663	32,865
Non-operating income and expenses	27,423	10,077	11,697	15,650	32,486	(4,500)
Income before tax	127,903	102,584	32,134	75,619	99,149	28,365
Net income of continuing business units	107,743	80,195	26,108	57,059	76,202	23,031
Loss of suspended business unit	-	-	-	-	-	-
Net income (Loss)	107,743	80,195	26,108	57,059	76,202	23,031
Other comprehensive income (income after tax)	(8,129)	(3,727)	(15,113)	(4,229)	(16,212)	(5,539)
Total comprehensive income	99,614	76,468	10,995	52,830	59,990	17,492
Net income attributable to shareholders of the parent	96,817	73,671	24,496	59,165	76,441	22,628
Net income attributable to non-controlling interest	10,926	6,524	1,612	(2,106)	(239)	403
Comprehensive income attributable to Shareholders of the parent	90,213	72,037	9,860	53,916	60,229	17,089
Comprehensive income attributable to non-controlling interest	9,401	4,431	1,135	(1,086)	(239)	403
Earnings per share	2.67	2.03	0.68	1.63	2.11	0.62

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Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.

Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Concise Individual Balance Sheet

Unit: NT\$ thousands

Year		Financial Summary for The Last Five Years (Note 1)					For Year Ending Mar. 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		567,929	532,013	456,584	518,479	528,834	Not Applicable
Available-for-sale financial assets-non current		11,973	17,760	13,843	-	-	
Financial assets measured at cost- non current		-	30,000	30,000	-	-	
Gain from financial assets at fair value through profit/loss- non current		-	-	-	14,123	22,567	
Gain from financial assets at fair value through other comprehensive income- non current		-	-	-	18,400	25,279	
Property, Plant and Equipment (Note 2)		304,744	280,005	254,964	293,829	256,645	
Net investment in capital assets		174,818	164,314	160,575	146,709	179,068	
Current assets		20,062	19,847	19,632	19,418	13,034	
Intangible assets		460	899	1,755	2,222	1,583	
Other assets		21,127	18,412	23,139	27,800	26,493	
Total assets		1,101,113	1,063,250	960,492	1,040,980	1,053,503	
Current liabilities	Before distribution	215,441	194,167	145,202	197,037	191,327	
	After distribution	302,534	260,213	165,161	244,213	-	
Long-term and other liabilities		31,404	29,871	32,264	29,678	34,857	
Total liabilities	Before distribution	246,845	224,038	177,466	226,715	226,184	
	After distribution	333,938	290,084	197,425	273,891	-	
Interests attributable to parent company owner		-	-	-	-	-	
Capital stock		362,888	362,888	362,888	362,888	362,888	
Capital surplus		49,699	49,699	49,699	46,759	46,759	

Item \ Year		Financial Summary for The Last Five Years (Note 1)					For Year Ending Mar. 31, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Retained earnings	Before distribution	440,115	426,205	382,136	428,586	455,917	
	After distribution	353,022	360,159	362,177	381,410	-	
Other Interests		1,566	420	(11,697)	(23,968)	(38,245)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	854,268	839,212	783,026	814,265	827,319	
	After distribution	767,175	773,166	763,067	767,089	-	

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Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 4: The above are financial information after allocation, please fill in the information according to the next year's resolution of the shareholders meeting.

Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Concise Individual Income Statement

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					
	2015	2016	2017	2018	2019	For Year Ending Mar. 31, 2020 (Note 2)
Operating revenue	666,855	827,829	625,817	856,148	949,215	Not Applicable
Gross profit	251,348	260,086	199,741	264,582	260,594	
Income from operations	68,695	81,156	30,917	81,153	77,141	
Non-operating income and expenses	42,403	8,749	(1,626)	(6,304)	20,477	
Income before tax	111,098	89,905	29,291	74,849	97,618	
Net income of continuing business units	96,817	73,671	24,496	59,165	76,441	
Loss of suspended business unit	-	-	-	-	-	
Net income (Loss)	96,817	73,671	24,496	59,165	76,441	
Other comprehensive income (income after tax)	(6,604)	(1,634)	(14,636)	(5,249)	(16,212)	
Total comprehensive income	90,213	72,037	9,860	53,916	60,229	
Net income attributable to shareholders of the parent	-	-	-	-	-	
Net income attributable to non-controlling interest	-	-	-	-	-	
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-	
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share	2.67	2.03	0.68	1.63	2.11	

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.

Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

B. Auditors' Opinions from 2015 to 2019

Year	Accounting Firm	CPA	Audit Opinion
2015	CPA FU WEN-FANG CPA LIN LI-HUANG	Ernst & Young	Modified unqualified audit opinion
2016	CPA FU WEN-FANG CPA LIN LI-HUANG	Ernst & Young	Modified unqualified audit opinion
2017 (Note)	CPA HSU JUNG-HUANG CPA LIN LI-HUANG	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.
2018	CPA HSU JUNG-HUANG CPA LIN LI-HUANG	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.
2019	CPA HSU JUNG-HUANG CPA CHANG CHIH-MING	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.

Note : There is a replacement on accountants due to the adjustment of Ernst & Young's internal organization in 2017.

2. Financial analysis for the past 5 fiscal years

A. Consolidated Financial Analysis – Based on IFRS

Item (Note 3)		Financial Analysis for the Last Five Years						
		Year (Note 1)	2015	2016	2017	2018	2019	For Year Ending Mar. 31, 2020 (Note 2)
Financial structure (%)	Debt Ratio		23.36	21.22	18.47	23.51	25.79	29.88
	Ratio of long-term capital to property, plant and equipment		356.83	358.05	353.26	366.66	336.77	348.29
Solvency (%)	Current ratio		355.22	375.03	443.03	342.80	312.11	275.14
	Quick ratio		326.09	336.11	391.66	311.89	270.57	251.67
	Interest earned ratio (times)		-	-	-	-	277.02	-
Operating performance	Accounts receivable turnover (times)		4.44	4.64	4.54	6.73	6.29	6.48
	Average collection period		82.21	78.66	80.40	54.23	58.03	56.33
	Inventory turnover (times)		8.31	8.14	7.83	14.26	13.49	19.14
	Accounts payable turnover (times)		4.90	4.88	5.25	8.98	7.24	6.85
	Average days in sales		43.92	44.84	46.62	25.59	27.06	19.07
	Property, plant and equipment turnover (times)		3.42	3.46	3.19	5.11	4.70	6.35
	Total assets turnover (times)		0.73	0.76	0.74	1.06	1.04	1.28
Profitability	Return on total assets (%)		8.85	6.56	2.30	5.33	7.01	7.95
	Return on stockholders' equity (%)		11.45	8.44	2.88	6.75	9.28	11.02
	Pre-tax income to paid-in capital (%) (Note 7)		35.25	28.27	8.86	20.83	27.32	31.27
	Profit ratio (%)		11.72	8.83	3.31	5.02	6.60	5.98

Year (Note 1)		Financial Analysis for the Last Five Years					
		2015	2016	2017	2018	2019	For Year Ending Mar. 31, 2020 (Note 2)
Item (Note 3)							
		Earnings per share (NT\$)	2.67	2.03	0.68	1.63	2.11
Cash flow	Cash flow ratio (%)	74.05	10.47	37.02	43.50	44.15	2.44
	Cash flow adequacy ratio (%)	70.80	75.44	81.52	91.56	108.74	82.11
	Cash reinvestment ratio (%)	18.61	(9.29)	(0.78)	12.68	10.78	1.30
Leverage	Operating leverage	8.96	9.82	37.60	18.62	17.03	11.65
	Financial leverage	1.00	1.00	1.00	1.00	1.01	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
	Item	Dec 31, 2018	Dec 31, 2019	Diff %	Reasons for difference		
	Gross profit margin	29.49	29.54	0.17	Did not meet the criteria for analysis.		
	Inventory turnover	14.26	13.49	(5.40)	Did not meet the criteria for analysis.		
	Accounts receivable turnover	6.73	6.29	(6.54)	Did not meet the criteria for analysis.		

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Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

B. Individual Financial Analysis – Based on IFRS

Year (Note 1)		Financial Analysis for the Past Five Years					For Year Ending Mar. 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Item (Note 3)							
Financial structure (%)	Debt Ratio	22.42	21.07	18.48	21.77	21.47	Not Applicable
	Ratio of long-term capital to fixed assets	488.66	510.74	487.64	555.01	462.02	
Solvency (%)	Current ratio	263.61	274.00	314.45	263.13	276.40	
	Quick ratio	242.75	253.78	280.02	242.64	246.42	
	Interest earned ratio (times)	-	-	-	-	2,427.69	
Operating performance	Accounts receivable turnover (times)	5.19	5.19	4.12	6.06	5.99	
	Average collection period	70.33	70.33	88.59	60.23	60.93	
	Inventory turnover (times)	16.05	21.87	16.45	27.29	28.50	
	Accounts payable turnover (times)	4.85	4.78	4.12	6.36	6.70	
	Average days in sales	22.74	16.69	22.19	13.37	12.81	
	Fixed assets turnover (times)	3.81	5.04	3.90	5.83	5.30	
	Total assets turnover (times)	0.61	0.78	0.65	0.82	0.90	
Profitability	Return on total assets (%)	9.29	6.81	2.42	5.91	7.30	
	Return on stockholders' equity (%)	11.53	8.70	3.02	7.40	9.31	
	Ratio to issued capital (%) (Note 7)	30.61	24.77	8.07	20.62	26.90	
	Profit ratio (%)	14.52	8.9	3.91	6.91	8.05	

Year (Note 1)		Financial Analysis for the Past Five Years					
		2015	2016	2017	2018	2019	For Year Ending Mar. 31, 2020 (Note 2)
Item (Note 3)							
		Earnings per share (NT\$)	2.67	2.03	0.68	1.63	2.11
Cash flow	Cash flow ratio (%)	73.02	6.61	47.79	49.84	49.62	
	Cash flow adequacy ratio (%)	72.04	75.95	76.17	77.56	96.88	
	Cash reinvestment ratio (%)	14.19	(11.07)	0.54	11.90	7.39	
Leverage	Operating leverage	9.65	10.15	20.11	10.49	12.25	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
	Item	Dec 31, 2018	Dec 31, 2019	Diff %	Reasons for difference		
	Gross profit margin	30.90	27.45	(11.17)	Did not meet the criteria for analysis.		
	Inventory turnover	27.29	28.50	4.43	Did not meet the criteria for analysis.		
	Accounts receivable turnover	6.06	5.99	(1.16)	Did not meet the criteria for analysis.		

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: The financial information for the most recent year up to the previous quarter of the date of publication of the annual report for companies that are listed or whose stocks have been traded in the OTC markets shall be incorporate into the analysis.

Note 3: The formula is as follows:

1. Financial structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Shareholders' Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)(Note 5)

6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half-year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Cash flow analysis should pay special attention to the following:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in

the cash flow statement.

2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Net plant property and equipment means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no par or not in the denomination of NT \$ 10, the calculation of the ratio of the paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

3. Supervisors' report for the most recent year's financial statement

Taiwan Kong King Co., Ltd.

Supervisors' Review Report

The Board of Directors made the 2019 consolidated and individual Financial Statements of the Company. It has been verified by Ernst & Young accountants Hsh, Jung-Huang and Chang, Chih-Ming, together with the business report and earnings distribution. It is considered that there is no disagreement, and in accordance with the provisions of Article 219 of the Company Act made a report to review.

To

2020 Annual Shareholders' Meeting

Taiwan Kong King Co. ,Ltd.

Supervisor: Wu, Guo-Xian

Supervisor: Cai, Zhi-Wei

Supervisor: Chou, Ken

March 24, 2020

4. A parent company only financial statement for the most recent fiscal year, certified by a CPA.



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Independent Auditors' Report Translated from Chinese

To TAIWAN KONG KING CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of TAIWAN KONG KING CO., LTD and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



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

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company and its subsidiaries amounted to NT\$166,733 thousand and NT\$449 thousand as of December 31, 2019, respectively. The net amount of accounts receivables was approximately 15% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating whether the accounting policy and the loss rate are reasonable; when performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types, and evaluating the reasonableness of management's estimates of assumptions; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the Company's consolidated financial statements.

Valuation of inventories

Net inventories by the Company and its subsidiaries amounted to NT\$69,016 thousand, was



approximately 6% of total assets as of December 31, 2019 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2019 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the Company's consolidated financial statement.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These assets of NT\$132,797 thousand and NT\$165,053 thousand, constituting 13% and 16% of consolidated total assets as of December 31, 2019 and 2018, respectively. The operating revenues from the subsidiaries amounted to NT\$41,789 thousand and NT\$31,232 thousand, constituting 4% and 3% of consolidated operating revenues for the years ended December 31, 2019 and 2018, respectively.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable,



matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2019 and 2018.



HSU, JUNG-HUANG

CHANG, CHIH-MING

Ernst & Young, Taipei, Taiwan

March 24, 2020

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,6&12	\$505,967	\$478,514
Notes receivable, net	4,6&12	2,856	7,289
Accounts receivable, net	4,6&12	166,284	190,691
Other receivables	12	3,431	2,768
Current tax assets	7&12	-	5,480
Inventories, net	4&6	69,016	51,555
Prepayments		32,428	12,664
Other current assets		2,715	3,631
Total Current Assets		782,697	752,592
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss, noncurrent	4,6&12	22,567	14,123
Financial assets at fair value through other comprehensive income, noncurrent	4,6&12	30,072	37,313
Property, plant and equipment	4&6	245,729	222,188
Right-of-use asset	4&6	3,880	-
Investment property, net	4&6	-	4,194
Intangible assets	4&6	2,104	3,555
Deferred tax assets	4&6	23,344	19,894
Other noncurrent assets	4&12	4,767	11,269
Total Non-Current Assets		332,463	312,536
TOTAL ASSETS		\$1,115,160	\$1,065,128

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Contract liabilities, current	6	\$44,594	\$16,308
Notes payable	12	16	16
Accounts payable	12	114,462	101,769
Accounts payable-related parties, net	7&12	921	7,436
Other payables	12	76,208	71,483
Other payables-related parties	7	3,042	122
Current tax liabilities	4	8,240	21,425
Lease liabilities, current	4&6	2,825	-
Other current liabilities		472	980
Total Current Liabilities		<u>250,780</u>	<u>219,539</u>
NON-CURRENT LIABILITIES			
Non-current provisions	4&6	31,944	29,595
Deferred tax liabilities	4&6	3,776	1,279
Lease liabilities, noncurrent	4&6	1,111	-
Other non-current liabilities		-	24
Total Non-Current Liabilities		<u>36,831</u>	<u>30,898</u>
TOTAL LIABILITIES		<u>287,611</u>	<u>250,437</u>
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			
Capital	6		
Common stock		<u>362,888</u>	<u>362,888</u>
Total Capital stock		<u>362,888</u>	<u>362,888</u>
Additional paid-in capital	6	46,759	46,759
Retained earnings			
Legal reserve		257,163	251,247
Special reserve		23,968	11,697
Unappropriated earnings		174,786	165,642
Total Retained earnings		<u>455,917</u>	<u>428,586</u>
Other components of equity		<u>(38,245)</u>	<u>(23,968)</u>
NON-CONTROLLING INTERESTS	6	<u>230</u>	<u>426</u>
TOTAL EQUITY		<u>827,549</u>	<u>814,691</u>
TOTAL LIABILITIES AND EQUITY		<u>\$1,115,160</u>	<u>\$1,065,128</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended December 31,	
		2019	2018
OPERATING REVENUES	4,6&7	\$1,154,228	\$1,136,575
COST OF GOODS SOLD	4&7	(813,283)	(801,409)
GROSS PROFIT		<u>340,945</u>	<u>335,166</u>
OPERATING EXPENSES	4&7		
Sales and marketing expense		(137,567)	(137,013)
General and administrative expense		(131,234)	(132,338)
Research and development expenses		(5,481)	(5,846)
Total Operating Expense		<u>(274,282)</u>	<u>(275,197)</u>
OPERATING INCOME		<u>66,663</u>	<u>59,969</u>
NON-OPERATING INCOME AND EXPENSES			
Other income	6	13,559	14,681
Other gains and losses	6	19,286	969
Financial cost	6	(359)	-
Subtotal		<u>32,486</u>	<u>15,650</u>
INCOME BEFORE INCOME TAX		99,149	75,619
INCOME TAX EXPENSE	4&6	(22,947)	(18,560)
PROFIT FROM CONTINUING OPERATIONS		<u>76,202</u>	<u>57,059</u>
NET INCOME		<u>76,202</u>	<u>57,059</u>
OTHER COMPREHENSIVE (LOSS) INCOME	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		(2,419)	3,281
Unrealized gains (losses) from investments in equity instruments			
measured at fair value through other comprehensive income		(12,820)	(9,604)
Income tax related to items that will not be reclassified subsequently		3,048	1,192
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(4,021)	902
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		<u>(16,212)</u>	<u>(4,229)</u>
TOTAL COMPREHENSIVE INCOME		<u>\$59,990</u>	<u>\$52,830</u>
NET INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		76,441	59,165
Non-controlling interests		(239)	(2,106)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		60,229	53,916
Non-controlling interests		(239)	(1,086)
Earnings per share (NTD)			
Basic earnings per share	6		
Basic earnings (loss) per share from continuing operations		2.11	1.63

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Equity Attributable to the Parent Company

	Retained earnings					Other components of equity		Total	Non-Controlling Interests	Total Equity
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange difference on translations of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income			
Balance as of January 1, 2018	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$4,684	\$783,026	\$92,516	\$875,542
Impact of retroactive applications	-	-	-	-	4,684	-	(4,462)	222	-	222
Adjusted balance as of January 1, 2018	362,888	49,699	248,797	-	138,023	(16,381)	222	783,248	92,516	875,764
Appropriation and distribution of 2017 retained earnings:										
Legal reserve	-	-	2,450	-	(2,450)	-	-	-	-	-
Special reserve	-	-	-	11,697	(11,697)	-	-	-	-	-
Cash dividends	-	-	-	-	(19,959)	-	-	(19,959)	-	(19,959)
Other changes in capital surplus:										
Difference between consideration and carrying amount of subsidiaries acquired	-	(2,940)	-	-	-	-	-	(2,940)	-	(2,940)
Net income for the year ended December 31, 2018	-	-	-	-	59,165	-	-	59,165	(2,106)	57,059
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	2,560	(126)	(7,683)	(5,249)	1,020	(4,229)
Total comprehensive income	-	-	-	-	61,725	(126)	(7,683)	53,916	(1,086)	52,830

Changes in non-controlling interests	-	-	-	-	-	-	-	-	(91,004)	(91,004)
Balance as of December 31, 2018	<u>\$362,888</u>	<u>\$46,759</u>	<u>\$251,247</u>	<u>\$11,697</u>	<u>\$165,642</u>	<u>\$(16,507)</u>	<u>\$(7,461)</u>	<u>\$814,265</u>	<u>\$426</u>	<u>\$814,691</u>
Balance as of January 1, 2019	\$362,888	\$46,759	\$251,247	\$11,697	\$165,642	\$(16,507)	\$(7,461)	\$814,265	\$426	\$814,691
Impact of retroactive applications	-	-	-	-	-	-	-	-	-	-
Adjusted balance as of January 1, 2019	362,888	46,759	251,247	11,697	165,642	(16,507)	(7,461)	814,265	426	814,691
Appropriation and distribution of 2018 retained earnings:										
Legal reserve	-	-	5,916	-	(5,916)	-	-	-	-	-
Special reserve	-	-	-	12,271	(12,271)	-	-	-	-	-
Cash dividends	-	-	-	-	(47,175)	-	-	(47,175)	-	(47,175)
Other changes in capital surplus:										
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	76,441	-	-	76,441	(239)	76,202
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,935)	(4,021)	(10,256)	(16,212)	-	(16,212)
Total comprehensive income	-	-	-	-	<u>74,506</u>	<u>(4,021)</u>	<u>(10,256)</u>	<u>60,229</u>	<u>(239)</u>	<u>59,990</u>
Changes in non-controlling interests	-	-	-	-	-	-	-	-	43	43
Balance as of December 31, 2019	<u>\$362,888</u>	<u>\$46,759</u>	<u>\$257,163</u>	<u>\$23,968</u>	<u>\$174,786</u>	<u>\$(20,528)</u>	<u>\$(17,717)</u>	<u>\$827,319</u>	<u>\$230</u>	<u>\$827,549</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

ITEM	For the years ended December 31,		ITEM	For the years ended December 31,	
	2019	2018		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			CASH FLOWS FROM INVESTING ACTIVITIES:		
Net income before tax	\$99,149	\$75,619	Acquisition of financial assets at fair value through other comprehensive income	(5,567)	-
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Disposal of financial assets at fair value through profit or loss	13,581	-
Depreciation expense	26,163	26,986	Acquisition of property, plant and equipment	(42,875)	(3,095)
Amortization expense	2,515	2,761	Disposal of property, plant and equipment	226	1,279
Net loss on financial assets or liabilities at fair value through profit or loss	(22,026)	(279)	Acquisition of intangible assets	(1,066)	(2,091)
Interest expense	359	-	Decrease in refundable deposits	6,501	838
Interest income	(5,352)	(6,812)	Net cash used in investing activities	<u>(29,200)</u>	<u>(3,069)</u>
Dividend income	(4,773)	(4,068)			
Gain on disposal of property, plant and equipment	(123)	(581)	CASH FLOWS FROM FINANCING ACTIVITIES:		
Total adjustments to reconcile profit (loss)	<u>(3,237)</u>	<u>18,007</u>	Decrease in receivable deposit	(24)	-
Changes in operating assets and liabilities:			Repayment of lease principal	(3,606)	-
Decrease (Increase) in notes receivable	4,433	(6,063)	Cash dividends paid	(47,175)	(19,959)
Decrease (Increase) in accounts receivable	24,407	(52,196)	Acquisition of ownership interests in subsidiaries	-	(91,004)
(Increase) decrease in other receivable	(2,217)	527	Net cash used in financing activities	<u>(50,805)</u>	<u>(110,963)</u>
(Increase) decrease in inventories	(17,461)	9,225			
(Increase) decrease in prepayments	(19,764)	6,701	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(3,251)</u>	<u>(114)</u>
Decrease in other current assets	915	958	NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>27,453</u>	<u>(18,633)</u>
Increase in contract liabilities	28,286	16,308	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>478,514</u>	<u>497,147</u>
Decrease in notes payable	-	(33)	CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$505,967</u>	<u>\$478,514</u>
Increase in accounts payable	12,693	33,325			
(Decrease) increase in accounts payable-related parties	(6,515)	6,741			
Increase in other payable	4,724	15,780			
Increase (decrease) in other payable-related parties	2,921	(8,369)			
Decrease in other current liabilities	(509)	(30,587)			
Decrease in provisions	(70)	(437)			
Total changes in operating assets and liabilities	<u>31,843</u>	<u>(8,120)</u>			
Cash generated from operations	<u>127,755</u>	<u>85,506</u>			
Interest received	6,907	7,701			
Dividends received	4,773	4,068			
Interest expense paid	(169)	-			
Income taxes paid	<u>(28,557)</u>	<u>(1,762)</u>			
Net cash flows from operating activities	<u>110,709</u>	<u>95,513</u>			

(The accompanying notes are an integral part of the parent company only financial statements)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Taiwan Kong King Co., Limited (“the Company”) was incorporated commenced operations on June 14, 1977. The Company trades high-end technology equipment, sells raw materials, and provides customer services as an agent. The Company’s registered office and the main business location is at 5F.-1, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.). Wong’s Kong King International (Holdings) Limited is the Company’s parent and the ultimate controlling entity of the Company.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized for issued by the Company’s Board of Directors’ meeting on March 24, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (1) *IFRS 16 “Leases”*

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

The Group followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

- B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.
- C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Group's right-of-use asset and lease liability increased by NT\$6,915 thousand and NT\$6,915 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use

- asset on 1 January 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- (b) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.
- (c) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 3.29%.
- ii. The explanation for the difference of NT223 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	<u>\$7,396</u>
Discounted using the incremental borrowing rate on 1 January 2019	\$7,138
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	<u>(223)</u>
The carrying value of lease liabilities recognized as at 1 January 2019	<u>\$6,915</u>

- D. The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.
- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	1 January 2020
b	Definition of Material - Amendments to IAS 1 and 8	1 January 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

(a) Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business

Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(b) Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(i) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(ii) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(iii) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(iv) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The Group has assessed the standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	1 January 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

- (a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

- (b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant

accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (a) estimates of future cash flows;
- (b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (c) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) **Classification of Liabilities as Current or Non-current – Amendments to IAS 1**

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group has assessed the standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) **Statement of compliance**

The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and TIFRS as endorsed by the FSC.

(2) **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise

stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;

- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
The Company	Hong Kong Taiwan Kong King Limited	Trading	99.99%	99.99%
The Company	Headway Holdings Limited	Investment holding	100.00%	100.00%
The Company	TKK Precision Co., Ltd.	Manufacturing	100.00%	100.00%
The Company	THT Technology Co., Ltd.	Manufacturing	94.50%	94.50%
Hong Kong Taiwan Kong King Limited	The Kong King Technology (Suzhou) Co., Ltd.	Trading	100.00%	100.00%
Headway Holdings Limited	Hiking International Co., Ltd.	Investment holding	100.00%	100.00%
Hiking International Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	Manufacturing	100.00%	100.00%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in "NT\$", which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or

liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required

to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	4~56 years
Machinery and equipment	3~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Leasehold improvements	3~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Investment properties

The accounting policy from 1 January 2019 as follow:

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the

following assets:

Buildings 30~50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before 1 January 2019 as follow:

The Group's investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings - 30~50 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using

- the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before 1 January 2019 as follow:

Group as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer software</u>
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired

and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or Groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Group of units), then to the other assets of the unit (Group of units) pro rata on the basis of the carrying amount of each asset in the unit (Group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as

appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Group provides maintenance services for the sale of high-end machinery. Such services are separately priced or negotiated, provided based on the numbers of operation. Accordingly, the Group recognized revenues when the Group satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or

loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would

follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitment – Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the

carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and

taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand	\$818	\$611
Checking and savings accounts	379,069	240,530
Time deposits	126,080	237,373
Total	<u>\$505,967</u>	<u>\$478,514</u>

(2) Financial assets at fair value through profit or loss, noncurrent

	As of December 31,	
	2019	2018
Mandatorily measured at fair value through profit or loss:		
Foreign listed stocks	<u>\$22,567</u>	<u>\$14,123</u>

Financial assets at fair value through profit or loss-noncurrent were not pledged.

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

	As of December 31,	
	2019	2018
Equity instrument investment measured at fair value through other comprehensive profit and loss :		
Unlisted stocks	\$30,072	\$37,313

Financial assets at fair value through other comprehensive income-noncurrent were not pledged.

(4) Notes receivables

	As of December 31,	
	2019	2018
Notes receivables arising from operating activities	\$2,856	\$7,289

Notes receivables were not pledged.

(5) Accounts receivables

	As of December 31,	
	2019	2018
Accounts receivables	\$166,733	\$191,140
Less: loss allowance	(449)	(449)
Total	\$166,284	\$190,691

Accounts receivables were not pledged.

Accounts receivable are generally on 30~150 day terms. As of December 31, 2019 and 2018, the book value were NT\$166,733 thousand and NT\$191,140 thousand, respectively. Please refer to Note 6.13 for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As of December 31,	
	2019	2018
Raw materials	\$27,320	\$22,098
Work in progress	6,836	5,090
Finished goods	248	78
Merchandise inventories	34,612	24,289
Total	<u>\$69,016</u>	<u>\$51,555</u>

The cost of inventories recognized in expenses amounts to NT\$797,131 thousand and NT\$802,464 thousand for the years ended December 31, 2019 and 2018, including the write-down of inventories of NT\$287 thousand and NT\$72 thousand.

No inventories were pledged.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Total
Cost:							
As of January 1, 2019	\$102,180	\$113,215	\$252,423	\$12,659	\$27,281	\$13,891	\$521,649
Additions	17,757	11,090	12,277	150	1,601	-	42,875
Disposals	-	-	(7,721)	(12)	(973)	(9,755)	(18,461)
Transfers	3,700	1,700	-	-	-	-	5,400
Exchange differences	-	(254)	(2,647)	(161)	(290)	(358)	(3,710)
As of December 31, 2019	<u>\$123,637</u>	<u>\$125,751</u>	<u>\$254,332</u>	<u>\$12,636</u>	<u>\$27,619</u>	<u>\$3,778</u>	<u>\$547,753</u>
As of January 1, 2018	\$102,180	\$113,373	\$273,444	\$12,461	\$26,835	\$14,112	\$542,405
Additions	-	-	947	418	1,730	-	3,095
Disposals	-	-	(19,850)	(157)	(1,104)	-	(21,111)
Exchange differences	-	(158)	(1,622)	(63)	(180)	(221)	(2,244)
Other changes	-	-	(496)	-	-	-	(496)
As of December 31, 2018	<u>\$102,180</u>	<u>\$113,215</u>	<u>\$252,423</u>	<u>\$12,659</u>	<u>\$27,281</u>	<u>\$13,891</u>	<u>\$521,649</u>
Depreciation and impairment:							
As of January 1, 2019	\$7,000	\$41,606	\$205,485	\$10,921	\$20,558	\$13,891	\$299,461

Depreciation	-	3,861	14,922	735	3,055	-	22,573
Disposals	-	-	(7,721)	(11)	(907)	(9,755)	(18,394)
Transfers	-	1,227	-	-	-	-	1,227
Exchange differences	-	(141)	(2,012)	(140)	(192)	(358)	(2,843)
As of December 31, 2019	<u>\$7,000</u>	<u>\$46,553</u>	<u>\$210,674</u>	<u>\$11,505</u>	<u>\$22,514</u>	<u>\$3,778</u>	<u>\$302,024</u>
As of January 1, 2018	\$7,000	\$38,114	\$206,782	\$10,314	\$18,329	\$14,017	\$294,556
Depreciation	-	3,571	19,134	793	3,351	95	26,944
Disposals	-	-	(19,293)	(139)	(1,012)	-	(20,444)
Exchange differences	-	(79)	(1,138)	(47)	(110)	(221)	(1,595)
As of December 31, 2018	<u>\$7,000</u>	<u>\$41,606</u>	<u>\$205,485</u>	<u>\$10,921</u>	<u>\$20,558</u>	<u>\$13,891</u>	<u>\$299,461</u>
Net carrying amount as at:							
December 31, 2019	<u>\$116,637</u>	<u>\$79,198</u>	<u>\$43,658</u>	<u>\$1,131</u>	<u>\$5,105</u>	<u>\$-</u>	<u>\$245,729</u>
December 31, 2018	<u>\$95,180</u>	<u>\$71,609</u>	<u>\$46,938</u>	<u>\$1,738</u>	<u>\$6,723</u>	<u>\$-</u>	<u>\$222,188</u>

(8) Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
As of January 1, 2019	\$3,700	\$1,700	\$5,400
Additions from acquisitions	-	-	-
Transfers from (to) inventories and owner-occupied property	(3,700)	(1,700)	(5,400)
As of December 31, 2019	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
As of January 1, 2018	\$3,700	\$1,700	\$5,400
Additions from acquisitions	-	-	-
As of December 31, 2018	<u>\$3,700</u>	<u>\$1,700</u>	<u>\$5,400</u>
Depreciation and impairment:			
As of January 1, 2019	\$-	\$1,206	\$1,206
Depreciation	-	21	21
Exchange differences	-	(1,227)	(1,227)
As of December 31, 2019	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
As of January 1, 2018	\$-	\$1,164	\$1,164
Depreciation	-	42	42
As of December 31, 2018	<u>\$-</u>	<u>\$1,206</u>	<u>\$1,206</u>

Net carrying amount as at:

December 31, 2019	\$-	\$-	\$-
December 31, 2018	\$3,700	\$494	\$4,194
	For the years ended December 31,		
	2019	2018	
Rental income from investment property	\$69	\$137	
Less:			
Direct operating expenses from investment property generating rental income	(21)	(42)	
Direct operating expenses from investment property not generating rental income	-	-	
Total	\$48	\$95	

No investment properties were pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The amounts were not assessed by an independent valuer. The fair values of the Group's investment property on December 31, 2018 was NT\$38,263~NT\$50,935 thousand, which measured by the Group's management referring to information on the Department of Land Administration website and actual transactions in the neighborhood area.

(9) Intangible Assets

	Computer software	Other intangible assets	Total
Cost:			
As of January 1, 2019	\$15,438	\$-	\$15,438
Addition-acquired separately	1,066	-	1,066
Disposal	(451)	-	(451)
Exchange differences	(24)	-	(24)
As of December 31, 2019	\$16,029	\$-	\$16,029
As of January 1, 2018	\$15,450	\$392	\$15,842
Addition-acquired separately	2,091	-	2,091
Disposal	(2,082)	(392)	(2,474)
Exchange differences	(21)	-	(21)
As of December 31, 2018	\$15,438	\$-	\$15,438

Amortization and impairment:

As of January 1, 2019	\$11,883	\$-	\$11,883
Amortization	2,515	-	2,515
Disposal	(451)	-	(451)
Exchange differences	(22)	-	(22)
As of December 31, 2019	<u>\$13,925</u>	<u>\$-</u>	<u>\$13,925</u>
As of January 1, 2018	\$11,228	\$386	\$11,614
Amortization	2,756	5	2,761
Disposal	(2,083)	(391)	(2,474)
Exchange differences	(18)	-	(18)
As of December 31, 2018	<u>\$11,883</u>	<u>\$-</u>	<u>\$11,883</u>
Net carrying amount as of:			
December 31, 2019	<u>\$2,104</u>	<u>\$-</u>	<u>\$2,104</u>
December 31, 2018	<u>\$3,555</u>	<u>\$-</u>	<u>\$3,555</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended	
	December 31,	
	2019	2018
Operating costs	<u>\$154</u>	<u>\$482</u>
Selling expenses	<u>\$324</u>	<u>\$135</u>
Administrative expenses	<u>\$1,804</u>	<u>\$1,734</u>
Research and development expenses	<u>\$233</u>	<u>\$410</u>

(10) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries makes monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of the subsidiaries in China are provided in accordance with the local regulations. The subsidiaries will make contributions of certain percentage of each individual employee's salaries to employee's pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2019 and

2018 were NT\$6,795 thousand and NT\$6,659 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 15% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$1,199 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

As of December 31, 2019, and 2018, the Group expects its defined benefits plan obligation to become due in 2036.

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	December 31,	
	2019	2018
Current period service costs	\$850	\$885

	For the years ended	
	December 31,	
	2019	2018
Net interest on the net defined benefit liabilities (assets)	265	363
Total	\$1,115	\$1,248

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of December 31,	
	2019	2018
Defined benefit obligation	\$92,825	\$88,702
Plan assets at fair value	(60,881)	(59,107)
Other non-current liabilities - Accrued pension liabilities (assets) recognized on the consolidated balance sheets	\$31,944	\$29,595

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
As at January 1, 2018	\$89,718	\$(56,397)	\$33,321
Current period service costs	885	-	885
Net interest expense (income)	1,000	(638)	362
Subtotal	91,603	(57,035)	34,568
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(5,869)	(86)	(5,955)
Actuarial gains and losses arising from changes in demographic assumptions	2,407	-	2,407
Experience adjustments	561	-	561
Remeasurements of defined benefit asset	-	(293)	(293)
Subtotal	88,702	(57,414)	31,288
Payments from the plan	-	-	-
Employer payment	-	-	-
Contributions by employer	-	(1,693)	(1,693)
As at December 31, 2018	88,702	(59,107)	29,595
Current period service costs	850	-	850
Net interest expense (income)	813	(548)	265
Subtotal	90,365	(59,655)	30,710
Remeasurements of the net defined benefit liability (asset):			

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
Actuarial gains and losses arising from changes in financial assumptions	(1,929)	(118)	(2,047)
Experience adjustments	6,127	-	6,127
Remeasurements of defined benefit asset	-	(1,661)	(1,661)
Subtotal	94,563	(61,434)	33,129
Payments from the plan	(1,738)	1,738	-
Employer payment	-	-	-
Contributions by employer	-	(1,185)	(1,185)
Balance at December 31, 2019	\$92,825	\$(60,881)	\$31,944

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2019	2018
Discount rates	0.75%	1.05%
Expected rates of salary increase	2.50%	3.00%

The following sensitivity analysis for significant assumption:

	For the years ended December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$3,938	\$-	\$4,641
Discount rate decrease by 0.5%	4,233	-	4,995	-
Future salary increase by 0.5%	3,727	-	4,368	-
Future salary decrease by 0.5%	-	3,517	-	4,116

The sensitivity analysis above is based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(11) Equities

A. Common stock

The Group's authorized capital and issued capital was NT\$450,000 thousand and NT\$362,888 thousand as at December 31, 2019 and 2018, each at a par value of NT\$10 for 36,289 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2019	2018
Additional paid-in capital	\$36,000	\$36,000
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired / disposed of	10,759	10,759
Total	<u>\$46,759</u>	<u>\$46,759</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Group. When a Group incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Group. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Group's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

According to the Company Act, the Group needs to set aside amount to legal reserve

unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Group. When the Group incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the shareholders' meeting on May 24, 2019 and June 20, 2018, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$5,916	\$2,450		
Special reserve	12,271	11,697		
Common stock - cash dividend	47,175	19,959	\$1.30	\$0.55

Please refer to Note 6.(15) for details on employees' compensation and remuneration to directors and supervisors.

D. Non-controlling interests

	As of December 31,	
	2019	2018
Beginning balance	\$426	\$92,516
Profit (loss) attributable to non-controlling interests	(239)	(2,106)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	1,028
Remeasurements of defined benefit plans	-	(8)
Acquisition of issued shares in a subsidiary	-	(91,004)
Other	43	-
Ending balance	\$230	\$426

(12) Operating revenues

December 31,	December 31,
2019	2018

Revenue from contracts with customers		
Sale of goods	\$1,013,334	\$1,009,816
Less: sales returns and discounts		
Revenue arising from rendering of services	140,894	126,759
Total	<u>\$1,154,228</u>	<u>\$1,136,575</u>

Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	Customer Service Dept	Electronics Dept	PCB Dept	Production Dept	Total
Sales revenue	\$100,274	\$409,198	\$486,109	\$17,753	\$1,013,334
Rendering of services	30,039	11,358	99,442	55	140,894
Total	<u>\$130,313</u>	<u>\$420,556</u>	<u>\$585,551</u>	<u>\$17,808</u>	<u>\$1,154,228</u>
Timing of revenue recognition:					
At a point in time	<u>\$130,313</u>	<u>\$420,556</u>	<u>\$585,551</u>	<u>\$17,808</u>	<u>\$1,154,228</u>

For the year ended December 31, 2018

	Customer Service Dept	Electronics Dept	PCB Dept	Production Dept	Total
Sales revenue	\$106,620	\$432,431	\$458,695	\$12,070	\$1,009,816
Rendering of services	20,256	8,790	97,713	-	126,759
Total	<u>\$126,876</u>	<u>\$441,221</u>	<u>\$556,408</u>	<u>\$12,070</u>	<u>\$1,136,575</u>
Timing of revenue recognition:					
At a point in time	<u>\$126,876</u>	<u>\$441,221</u>	<u>\$556,408</u>	<u>\$12,070</u>	<u>\$1,136,575</u>

B. Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	<u>\$16,308</u>	<u>\$44,594</u>	<u>\$28,286</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31 2019 and 2018 are as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
The opening balance transferred to revenue	\$12,969	\$24,937
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	41,255	16,308

(13) Expected credit losses/(gains)

	<u>2019</u>	<u>2018</u>
Operating expenses – Expected credit losses/(gains)	<u>\$-</u>	<u>\$-</u>

The Group does not expect that any significant losses will incur because the counterparty fail to fulfill the agreement. Please refer to Note 12 for information of credit risks.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at December 31, 2019 and 2018 are as follow:

A. the loss allowance of accounts receivables is measured at an amount equal to lifetime expected credit losses, details are as follow and 0.23%.

	<u>As at</u>	
	<u>31 Dec. 2019</u>	<u>31 Dec. 2018</u>
Total carrying amount	\$169,589	\$198,429
Expected credit loss rates	0.26%	0.23%
Loss allowance	449	449
Total	<u>\$169,140</u>	<u>\$197,980</u>

B. based on past experience, the Group considers its accounts receivables as a single group and its loss allowance is measured by using a provision matrix, details are as follow:

For the year ended December 31, 2019

	<u>Not yet due</u>	<u>Overdue</u>					<u>Total</u>
		<u><=30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>>=121 days</u>	
Gross carrying	\$169,589	\$-	\$-	\$-	\$-	\$-	

amount							\$169,589
Loss ratio	0.26%						0.26%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	\$169,140	\$-	\$-	\$-	\$-	\$-	\$169,140

2018.12.31

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$198,429	\$-	\$-	\$-	\$-	\$-	\$198,429
Loss ratio	0.23%						0.23%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	\$197,980	\$-	\$-	\$-	\$-	\$-	\$197,980

(14) Leases

(1) Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and other equipment. The lease terms range from 1 to 4 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31	
	2019	2018 (Note)
Buildings	\$3,880	

During the ended 31 December 2019, the Group's additions to right-of-use assets amounting to NT\$620 thousand.

b. Lease liabilities

As of December 31

	<u>2019</u>	<u>2018 (Note)</u>
Lease liabilities	<u>\$3,936</u>	
Current	2,825	
Non-current	1,111	

Please refer to Note 6.16 (3) C. for the interest on lease liabilities recognized during the ended 31 December 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	<u>For the year ended December 31,</u>	
	<u>2019</u>	<u>2018 (Note)</u>
Buildings	\$3,569	

C. Income and costs relating to leasing activities

	<u>2019</u>	<u>2018 (Note)</u>
The expenses relating to short-term leases	\$104	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	53	

D. Cash outflow relating to leasing activities

During the year ended 31 December 2019, the Group's total cash outflows for leases amounting to NT\$3,763 thousand.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial leases on certain motor vehicles and other equipment. These leases have an average life of one year with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2019 and 2018 are as follows:

	As of December 31	
	2019 (Note)	2018
Not later than one year		\$3,830
Later than one year and not later than five years		3,566
Later than five years		-
Total		<u>\$7,396</u>

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		\$2,950

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(15) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018:

	2019				2018			
	Operating costs	Operating expenses	Non-operating expenses	Total amount	Operating costs	Operating expenses	Non-operating expenses	Total amount
Employee benefits expense								
Salaries	\$46,811	\$161,848	\$-	\$208,659	\$43,573	\$162,929	\$-	\$206,502
Labor and health insurance	3,161	10,353	-	13,514	2,959	9,931	-	12,890
Pension	1,797	6,112	-	7,909	1,752	6,155	-	7,907
Other employee benefits expense	2,776	8,003	-	10,779	2,707	7,901	-	10,608
Depreciation	15,351	10,791	21	26,163	19,007	7,937	42	26,986
Amortization	154	2,361	-	2,515	483	2,278	-	2,761

According to the Articles of Incorporation, 1%-8% of profit of the current year is distributable as employees' compensation, and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Group's accumulated losses shall have been covered. The Group may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash and as remuneration to directors and supervisors only in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information

on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2019, the Group estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 1% of profit of the current year, recognized as the employees' compensation and remuneration to directors and supervisors were both NT\$996 thousand. The amounts of the employees' compensation and remuneration to directors and supervisors recognized for the year ended December 31, 2018 were both NT\$764 thousand. The estimated amounts were based on the profit of current period and were recognized as salaries.

A resolution was passed at a Board of Directors meeting held on March 5, 2019 to distribute NT\$764 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2018.

(16) Non-operating income and expenses

A. Other income

	For the years ended	
	December 31,	
	2019	2018
Rental income	\$556	\$1,903
Interest income	5,352	6,812
Dividend income	4,773	4,068
Others	2,878	1,898
Total	\$13,559	\$14,681

B. Other gains and losses

	For the years ended	
	December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	\$123	\$581
Foreign exchange (losses) gains, net	229	2,977
Gains on financial assets at fair value through profit or loss (Note)	22,026	279
Others	(3,092)	(2,868)

Total	<u>\$19,286</u>	<u>\$969</u>
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Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

	For the years ended	
	December 31,	
	2019	2018
Interest on borrowings from bank	\$169	\$-
Interest on lease liabilities	190	(Note)
Total finance costs	<u>\$359</u>	<u>\$-</u>

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(17) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of	
				other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$(2,419)	\$-	\$(2,419)	\$484	\$(1,935)
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(12,819)	-	(12,819)	2,564	(10,255)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(4,021)	-	(4,021)	-	(4,021)
Total	<u>\$(19,259)</u>	<u>\$-</u>	<u>\$(19,259)</u>	<u>\$3,048</u>	<u>\$(16,211)</u>

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of	
				other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$3,281	\$-	\$3,281	\$(729)	\$2,552
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income					
	(9,604)	-	(9,604)	1,191	(7,683)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation					
	902	-	902	-	902
Total	\$(5,421)	\$-	\$(5,421)	\$1,192	\$(4,229)

(18) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Group's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended	
	December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	\$20,852	\$24,099
Adjustments in respect of current income tax of prior periods	-	(1,402)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	2,095	(1,710)
Deferred tax expense (income) relating to changes in tax rate	-	(2,427)

	For the years ended	
	December 31,	
	2019	2018
Total income tax expense	\$22,947	\$18,560

Income tax recognized in other comprehensive income

	For the years ended	
	December 31,	
	2019	2018
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(2,564)	\$(1,921)
Unrealised gains (losses) on valuation of available-for-sale financial assets	-	-
Gains (losses) on remeasurement of defined benefit plan	(484)	729
Income tax relating to components of other comprehensive income	\$(3,048)	\$(1,192)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended	
	December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	\$99,149	\$75,619
Tax at the domestic rates applicable to profits in the country concerned	21,283	18,138
Tax effect of expenses not deductible for tax purposes	1,602	4,246
Tax effect of deferred tax assets/liabilities	-	(2,427)
Corporate income surtax on undistributed retained earnings	62	5
Tax effect of different tax rates on individuals operating in other tax jurisdictions	-	-
Adjustments in respect of current income tax of prior periods	-	(1,402)
Total income tax expense (income) recognized in profit or loss	\$22,947	\$18,560

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	\$9,176	\$(13)	\$484	\$9,647
Allowance for inventory valuation losses	2,989	8	-	2,997
Unrealized exchange losses (gains)	(60)	10	-	(50)
Unrealized salaries	5,862	409	-	6,271
Revaluations of financial assets at fair value through profit or loss	(1,184)	(2,509)	-	(3,693)
Revaluations of financial assets at fair value through other comprehensive income	1,865	-	2,564	4,429
Others	(33)	-	-	(33)
Deferred tax income		<u>\$(2,095)</u>	<u>\$3,048</u>	
Deferred tax assets/(liabilities)-net	<u>\$18,615</u>			<u>\$19,568</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$19,894</u>			<u>\$23,344</u>
Deferred tax liabilities	<u>\$1,279</u>			<u>\$3,776</u>

For the year ended December 31, 2018

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	\$8,432	\$1,473	\$(729)	\$9,176
Allowance for inventory valuation losses	2,541	448	-	2,989
Unrealized exchange losses (gains)	18	(78)	-	(60)
Unrealized salaries	3,338	2,524	-	5,862
Revaluations of financial assets at fair	(959)	(225)	-	(1,184)

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
value through profit or loss				
Revaluations of financial assets at fair value				
through other comprehensive income	(56)	-	1,921	1,865
Others	(28)	(5)	-	(33)
Deferred tax income		4,137	\$1,192	
Deferred tax assets/(liabilities)-net	\$13,286			\$18,615
Reflected in balance sheet as follows:				
Deferred tax assets	\$13,314			\$19,894
Deferred tax liabilities	\$28			\$1,279

Note: The Group adopted IFRS 9 since January 1, 2018. Please refer to Note 3 for more details of adjustments of beginning balance.

The following table contains information of the unused tax losses of the Group:

Year	Tax losses for the period	Unused tax losses as at		Expiration year
		December 31, 2019	December 31, 2018	
2011	\$10,416	\$10,357	\$10,357	2021
2012	13,380	13,381	13,381	2022
2013	8,403	8,403	8,403	2023
2018	6,212	6,212	6,212	2028
2019	4,300	4,300	-	2029
		\$42,653	\$38,353	

Unrecognized deferred tax assets

As of December 31, 2019, and 2018, the Group does not have unrecognized deferred tax assets.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017
TKK Precision Co., Ltd	Assessed and approved up to 2017
THT Technology Co., Ltd	Assessed and approved up to 2017

(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Given that the Group does not have potential common shares which have dilutive effects outstanding, the Group is not required to adjust basic earnings per share for dilution.

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Basic earnings per share		
Profit attributable to ordinary equity holders of the Group (in thousand NT\$)	<u>\$76,441</u>	<u>\$59,165</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>36,289</u>	<u>36,289</u>
Basic earnings per share (NT\$)	<u>\$2.11</u>	<u>\$1.63</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
WKK Japan Limited	Other related parties

Name of the related parties	Nature of relationship of the related parties
Wong's Kong King Holdings Limited	Other related parties
HIOKI E.E. Corporation	Other related parties
HIOKI(Shanghai) Sales & Trading Co., Ltd.	Other related parties

Significant transactions with related parties

(1) Sales

	For the years ended December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$3,937	\$3,003
HIOKI E.E. Corporation	(Note)	2,550
Total	<u>\$3,937</u>	<u>\$5,553</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for sales to related parties was month-end 1~2 months.

(2) Purchases

	For the years ended December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$252,475	\$171,036
HIOKI E.E. Corporation	(Note)	90
HIOKI(Shanghai) Sales & Trading Co., Ltd.	-	1,957
Total	<u>\$252,475</u>	<u>\$173,083</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers were month-end 1~2 months.

(3) Amounts owed to related parties

A. Account Payables

	As of December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$921	\$7,407

HIOKI(Shanghai) Sales & Trading Co., Ltd.	-	29
Total	\$921	\$7,436
B. Other payables		
	As of December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$3,042	\$122
(4) Service revenue		
	For the years ended	
	December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$43,887	\$17,586
(5) Asset transactions		
	For the year ended December 31, 2019	
	Item	Amount
Other related parties		
WKK Japan Limited	Machinery and equipment	\$5,677
	For the year ended December 31, 2018	
	Item	Amount
Other related parties		
WKK Japan Limited	Machinery and equipment	\$-
(6) Cost of services		
	For the years ended	
	December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$1,393	\$692
(7) Operating expenses		
	For the years ended	

	December 31,	
	2019	2018
Other related parties		
WKK Japan Limited	\$73	\$36
Wong's Kong King Holdings Limited	901	914
HIOKI E.E. Corporation	(Note)	495
Total	<u>\$974</u>	<u>\$1,445</u>

(8) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	\$24,800	\$22,748
Post-employment benefits	249	233
Total	<u>\$25,049</u>	<u>\$22,981</u>

8. ASSETS PLEDGED AS SECURITY

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2019	2018
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss	\$22,567	\$14,123
Financial assets at fair value through other comprehensive income	30,072	37,313
Financial assets measured at amortized cost (Note 1)	682,465	689,897
Total	<u>\$735,104</u>	<u>\$741,333</u>

<u>Financial liabilities</u>	As of December 31,	
	2019	2018
Financial liabilities at amortized cost:		
Notes payable and accounts payables	\$194,649	\$180,826
Lease liabilities	3,936	(Note 2)
Total	<u>\$198,585</u>	<u>\$180,826</u>

Note 1: Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivables, other receivables and guarantee deposits paid.

Note 2: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency). The Group opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Group considered currency factors when making sales quotation to ensure a reasonable profit.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly

related to the volatility in the exchange rates for foreign currency USD, foreign currency RMB, foreign currency JPY and foreign currency EUR. The information of the sensitivity analysis is as follows:

- (a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$1,126 thousand and NT\$1,169 thousand, respectively.
- (b) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$636 thousand and NT\$1,839 thousand, respectively.
- (c) When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$1,460 thousand and NT\$428 thousand, respectively.
- (d) When NTD strengthens/weakens against foreign currency EUR by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$53 thousand and NT\$149 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

For the year ended December 31, 2019, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT\$226 thousand and NT\$141 thousand on the equity attributable to the Group.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy,

procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019, and 2018, amounts receivables from top ten customers represent 65.43% and 66.98% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses, for the loss allowance of accounts receivables is measured at lifetime expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and industrial information, the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2019					
Notes payables	\$16	\$-	\$-	\$-	\$16
Accounts payables	181,264	13,369	-	-	194,633
Lease liabilities	2,825	1,111	-	-	3,936
As of Dec. 31, 2018					
Notes payables	\$16	\$-	\$-	\$-	\$16

Accounts payables	175,127	5,683	-	-	180,810
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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	<u>Leases Liabilities</u>
As of 1 January 2019	\$6,915
Cash flows	(3,506)
Non-cash changes	190
Foreign exchange movement	337
As of December 31 2019	<u>\$3,936</u>

(7) Fair value of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

- (b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measure hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability

For assets and liabilities measured at fair value on a recurring basis, the Group re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Fair value measurement hierarchy of the Group's assets

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$22,567	\$-	\$-	\$22,567
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	30,072	30,072
	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$14,123	\$-	\$-	\$14,123
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	37,313	37,313

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for

movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	\$37,313
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(12,819)
Acquisition/issues for the year ended 31 December 2019	5,567
Foreign exchange movement	11
Ending balances as at December 31, 2019	\$30,072

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2018	\$47,735
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(10,422)
Ending balances as at December 31, 2018	\$37,313

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019					
	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%	The higher the discount for lack of marketability,	10% increase (decrease) in the discount for lack of marketability would

the lower the fair value of the stocks result in (decrease) increase in the Group's equity by NT\$4,965 thousand

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship	
				between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$11,158 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6.(8))	\$-	\$-	\$38,263~ 50,935	\$38,263~ 50,935

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$ 5,052	30.0400	\$151,762
JPY	599,421	0.2764	165,680
EUR	591	33.6600	19,893
RMB	16,160	4.3100	69,650
HKD	386	3.8570	1,489
<u>Financial liabilities</u>			
Monetary items:			
USD	1,304	30.0400	39,172
EUR	71,358	0.2764	19,723
JPY	433	33.6600	14,575
HKD	1,395	4.3100	6,012
RMB	410	3.8570	1,581

	As of December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$4,981	30.7100	\$152,967
JPY	187,932	0.2782	52,283
EUR	544	35.1900	19,143
RMB	41,246	4.4680	184,287
HKD	324	3.9210	1,270
<u>Financial liabilities</u>			
Monetary items:			
USD	1,177	30.7100	36,146
EUR	120	35.1900	4,223
JPY	34,174	0.2782	9,507
HKD	335	3.9210	1,314
RMB	80	4.4680	357

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

For the years ended December 31, 2019 and 2018, the Group's foreign exchange gains were NT\$229 thousand and NT\$2,977 thousand, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURES

(1) Information at significant transactions

- 1 Financing provided to others : Attachment 6
- 2 Endorsements/guarantees provided : None
- 3 Marketable securities held : Attachment 3
- 4 Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital : None
- 5 Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital : None
- 6 Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital : None
- 7 Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : Attachment 5
- 8 Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- 9 Trading in derivative instruments : None
- 10 Significant intercompany transactions and amounts between consolidated entities : Attachment 1

(2) Information on investees: Please refer to Attachment 4

(3) Information on investments in mainland China: Please refer to Attachment 5

14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

1. Customer Service Dept : Installation and related warranty of machinery, after-sales service and the control of inventories.
2. Electronics Dept : Marketing for SMT, semiconductor and solar equipment, market research, business activities, market development planning and implementation.
3. PCB Dept : Marketing for PCB equipment and materials, market research, business activities, market development plans and implementation.
4. Production Dept : Control of machinery and its related products' manufacturing.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Reportable on departmental profit and loss, assets and liabilities

For the year ended December 31, 2019

	Customer Service Dept	Electronics Dept	PCB Dept	Production Dept	Adjustment and elimination	Consolidated
Revenue						
External customer	\$130,313	\$420,556	\$585,551	\$17,808	\$-	\$1,154,228
Inter-segment	15,039	16,338	44,851	81,334	(157,562)	-
Total revenue	<u>\$145,352</u>	<u>\$436,894</u>	<u>\$630,402</u>	<u>\$99,142</u>	<u>\$(157,562)</u>	<u>1,154,228</u>
Segment profit	<u>\$28,366</u>	<u>\$23,194</u>	<u>\$40,716</u>	<u>\$(2,868)</u>	<u>\$9,741</u>	<u>\$99,149</u>

For the year ended December 31, 2018

	Customer	Electronics	PCB Dept	Production	Adjustment and	Consolidated
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	Service Dept	Dept		Dept	elimination	
Revenue						
External customer	\$126,876	\$441,221	\$556,408	\$12,070	\$-	\$1,136,575
Inter-segment	17,311	11,521	31,397	104,340	(164,569)	-
Total revenue	<u>\$144,187</u>	<u>\$452,742</u>	<u>\$587,805</u>	<u>\$116,410</u>	<u>\$(164,569)</u>	<u>\$1,136,575</u>
Segment profit	<u>\$16,389</u>	<u>\$15,289</u>	<u>\$23,667</u>	<u>\$1,189</u>	<u>\$19,085</u>	<u>\$75,619</u>

Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations are disclosed below.

Attachment 1 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
Significant intercompany transactions between consolidated entities
December 31, 2019

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Collection periods (Note 5)	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	1	Other income	\$1,855	-	0.16%
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	1	Service revenue	18,654	-	1.62%
0	Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	1	Service revenue	6,041	-	0.52%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Purchase	9,667	-	0.84%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Accounts payable	2,675	-	0.24%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Purchase	63,118	-	5.47%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Accounts payable	11,738	-	1.05%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Sales revenue	18,749	-	1.62%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Cost of services	33,542	-	2.91%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Accounts receivables	3,674	-	0.33%
0	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Sales revenue	5,223	-	0.45%

Note 1: The numbers above are identified as follows:

1. "0" for the Company.
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

1. From the Company to the subsidiary.

2.From the subsidiary to the Company.

3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

ATTACHMENT 1-1 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
Significant intercompany transactions between consolidated entities

December 31, 2019

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Collection periods (Note 5)	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Service revenue		-	0.00%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Other income		-	0.00%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Accounts receivable		-	0.00%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Rent income		-	0.00%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Prepayments to suppliers		-	0.00%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Accounts payable		-	0.00%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Purchase		-	0.00%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Sales revenue		-	0.00%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Rent income		-	0.00%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou) Co., Ltd.	1	Cost of services		-	0.00%
0	Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	1	Other expenses		-	0.00%
0	Taiwan Kong King Co., Limited	Hiking Technology (Suzhou) Co., Ltd.	1	Other receivables		-	0.00%

Note 1: The numbers above are identified as follows:

- 1."0" for the Company.
- 2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

- 1.From the Company to the subsidiary.
- 2.From the subsidiary to the Company.
- 3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

ATTACHMENT 1-2 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES
Significant intercompany transactions between consolidated entities
December 31, 2019

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Collection periods (Note 5)	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Service revenue		-	0.00%
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other income		-	0.00%
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Accounts receivable		-	0.00%
2	Hong Kong Taiwan Kong King Limited	Hiking International Co Ltd	3	Other receivables		-	0.00%
3	THT Technology Co., Ltd.	TKK Precision Co., Ltd.	3	Prepayments to suppliers		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	TKK Precision Co., Ltd.	3	Accounts payable		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	TKK Precision Co., Ltd.	3	Purchase		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Sales revenue		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Rent income		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Cost of services		-	0.00%
5	The Kong King Technology (Suzhou) Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other expenses		-	0.00%
5	The Kong King Technology (Suzhou) Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other receivables		-	0.00%

Note 1: The numbers above are identified as follows:

- 1."0" for the Company.
- 2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

- 1.From the Company to the subsidiary.
- 2.From the subsidiary to the Company.
- 3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Attachment 2 (Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital)

Unit: Amount in thousands of NTD

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Kong King Co., Limited	WKK Japan Limited	Other related parties	Purchases	\$191,084	30.07%	30 days	Note	Note	\$(882)	(0.93%)	

Note : No material differences between other transactions.

Attachment 3 (Securities held as of December 31, 2019)

Unit: Amount in thousands of NTD

(Except for the shares or units)

Holding Company Name	December 31, 2019	Relationship	Financial statement account	December 31, 2019				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Taiwan Kong King Co., Limited	Foreign listed stocks	-	Financial assets at fair value through profit or loss, noncurrent	23,700	JPY 81,647	0.65%	JPY 3,445	-
	Inspec Limited							
Taiwan Kong King Co., Limited	Unlisted stock	-	Financial assets at fair value through other comprehensive income, noncurrent	3,056,689	\$25,279	2.60%	\$8.3	(Note 2)
	Raytek Semiconductor, Inc.							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	26,209,999	79,059	99.99%	-	(Note 1)
	Hong Kong Taiwan Kong King Limited							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	6,237,000	122,266	100.00%	-	(Note 1)
	TKK Precision Co., Ltd.							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	1,100,000	51,358	100.00%	-	(Note 1)
	Headway Holdings Limited							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	4,725,000	3,962	94.50%	-	(Note 1)
	THT Technology Co., Ltd.							

Note 1: The amount was eliminated upon consolidation.

Note 2: No market price.

Attachment 3-1 (Securities held as of December 31, 2019)

Unit: Amount in thousands of NTD
(Except for the shares or units)

Holding Company Name	December 31, 2019	Relationship	Financial statement account	December 31, 2019				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Hong Kong Taiwan Kong King Limited	Stocks Leetech International Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	152,000	\$3,395	19.00%	\$3,395	(Note 2)
Hong Kong Taiwan Kong King Limited	Stocks Top Range Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,516,606	1,398	9.03%	1,398	(Note 2)
Hong Kong Taiwan Kong King Limited	Stocks The Kong King Technology (Suzhou) Co., Ltd.	Second-tier subsidiary	Investments accounted for using equity method	2,500,000	51,379	100.00%	-	(Note 1)
Headway Holdings Limited	Stocks Hiking International Co. Ltd	Second-tier subsidiary	Investments accounted for using equity method	12,636,000	40,599	100.00%	-	(Note 1)
Hiking International Co. Ltd	Stocks Hiking Technology (Suzhou) Co., Ltd.	Third-tier subsidiary	Investments accounted for using equity method	1,623,700	41,997	100.00%	-	(Note 1)

Note 1: The amount was eliminated upon consolidation.

Note 2: No market price.

Attachment 4 (Names, locations and related information of investee companies as of December 31, 2019)

Unit: Amount in thousands of NTD
(Except for the shares or units)

Investor Company	Investee company	Location	Main Businesses and Products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income(loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Carrying Amount			
Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	Hong Kong	Electronic components trading etc.	\$114,505	\$114,505	26,209,999	99.99%	\$79,059	\$(9,695)	\$(9,687)	Subsidiary
Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	R.O.C	Electronic components manufacturing, electronic materials trading and testing, and machinery and equipment retailing	90,530	90,530	6,237,000	100.00%	122,266	7,029	8,257	Subsidiary
Taiwan Kong King Co., Limited	Headway Holdings Limited	Samoa	Electronic components trading etc.	36,076	36,076	1,100,000	100.00%	51,358	(2,406)	(2,428)	Subsidiary
Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	R.O.C	Machinery, equipment retailing and electronic components manufacturing etc.	47,250	47,250	4,725,000	94.50%	3,962	(4,906)	(4,149)	Subsidiary
Hong Kong Taiwan Kong King Limited	The Kong King Technology (Suzhou) Co., Ltd.	China	Electronic materials, machinery and precision equipment retailing, information software service and international trade business	49,538	49,538	2,500,000	100.00%	51,379	(2,247)	(Note 1)	Second-tier Subsidiary
Headway Holdings Limited	Hiking International Co. Ltd.	Hong Kong	Investment holding	27,764	27,764	12,636,000	100.00%	40,599	(6,759)	(Note 1)	Second-tier Subsidiary
Hiking International Co. Ltd.	Hiking Technology (Suzhou) Co., Ltd.	China	Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service	57,408	57,408	1,623,700	100.00%	41,997	(6,466)	(Note 1)	Third-tier Subsidiary

Note 1 : Subsidiaries and investments accounted for under the equity method were not invested directly by the Company is not required to disclose.

Attachment 5 (Investment in Mainland China as of December 31, 2019)

Unit: Amount in thousands of NTD

Investee Company	Main Businesses and Products	Total amount of paid-in capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow					
Hiking Technology (Suzhou) Co., Ltd.	Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service	\$52,700	(Note 1.(2))	\$27,764	\$-	\$-	\$27,764	100%	\$(6,466) (Note 2.(2).c)	\$41,997	\$-
The Kong King Technology (Suzhou) Co., Ltd.	Electronic materials, machinery and precision equipment retailing, information software service and international trade business	82,038	(Note 1.(1))	49,538	-	-	49,538	100%	(2,247) (Note 2.(2).c)	51379	-

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$77,302	\$108,264	\$496,391

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Others.

Note 2 : Information of the investment income (loss) recognized in current period include the following:

- (1) Noted when investment income (loss) was not showed as the financial statement is not yet prepared.
- (2) The investment income (loss) were determined based on the following basis:
 - a. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C accounting firm.
 - b. The financial statements were audited by the auditors of the parent company.
 - c. Others.

Attachment 6 (Financing provided to others as of December 31, 2019)

Unit: Amount in thousands of NTD

No (Note 1)	Creditor	Borrower	General Leger account	Related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019 (Credits approved by the Boards)	Actual amount	Interest rate%	Nature for Financing	Reason for Financing	Loss Allowance	Collateral	Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	Temporary payment	yes	\$55,280	\$55,280	\$-	0.80%	Due to short-term financing	Need for operating	\$-	-	\$82,732	\$330,928

Note 1 : The Company and its subsidiaries are coded as follows:

- (1) The Company is coded "0".
- (2) The subsidiaries are coded starting from "1" in the order.

Note 2 : The limits and the calculation is based on the 10% of equity of report audited by the auditors.

Note 3 : The limits and the calculation is based on the 40% of equity of report audited by the auditors.



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Independent Auditors' Report Translated from Chinese

To TAIWAN KONG KING CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of TAIWAN KONG KING CO., LTD. (the “Company”) as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of a Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in



our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company amounted to NT\$146,665 thousand and NT\$449 thousand as of December 31, 2019, respectively. The net amount of accounts receivables was approximately 14% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, evaluating whether the accounting policy and the loss rate are reasonable; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. When performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types, and evaluating the reasonableness of management's estimates of assumptions. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the parent company only financial statements.



Valuation of inventories

Net inventories by the Company amounted to NT\$27,334 thousand, was approximately 3% of total assets as of December 31, 2019 and which is significant to the Company. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended December 31, 2019 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the parent company only financial statement.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$79,059 thousand and NT\$105,107 thousand, representing 8% and 10% of total assets as of December 31, 2019 and 2018, respectively. The related shares of profits (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(9,695) thousand and NT\$(25,426) thousand, representing (10)% and (34)% of the income before tax for the years ended December 31, 2019 and 2018, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(15,186) thousand and NT\$(3,505) thousand, representing 94% and 67% of the comprehensive income (loss) for the years ended December 31, 2019 and 2018, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements



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

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

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



HSU, JUNG-HUANG

CHANG, CHIH-MING

Ernst & Young, Taipei, Taiwan

March 24, 2020

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,6&12	\$323,197	\$301,341
Notes receivable, net	4,6&12	826	1,096
Accounts receivable, net	4,6&12	142,525	168,158
Accounts receivable-related parties, net	6,7&12	3,691	902
Other receivables	12	779	2,057
Other receivables-related parties, net	7&12	453	532
Current tax assets		-	4,017
Inventories, net	4&6	27,334	20,998
Prepayments		27,314	15,747
Other current assets		2,715	3,631
Total Current Assets		<u>528,834</u>	<u>518,479</u>
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss, noncurrent	4,6&12	22,567	14,123
Financial assets at fair value through other comprehensive income, noncurrent	4,6&12	25,279	18,400
Investments accounted for using equity method	4&6	256,645	293,829
Property, plant and equipment	4&6	179,068	146,709
Investment property, net	4&6	13,034	19,418
Intangible assets	4&6	1,583	2,222
Deferred tax assets	4&6	21,873	18,359
Other noncurrent assets	4&12	4,620	9,441
Total Non-Current Assets		<u>524,669</u>	<u>522,501</u>
TOTAL ASSETS		<u><u>\$1,053,503</u></u>	<u><u>\$1,040,980</u></u>

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	NOTES	As of December 31,	
		2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Contract liabilities, current	6	\$29,755	\$16,259
Notes payable	12	16	16
Accounts payable	12	79,547	76,196
Accounts payable-related parties, net	7&12	15,294	34,477
Other payables	12	55,197	50,451
Other payables-related parties	7&12	3,104	139
Current tax liabilities	4	8,130	18,700
Other current liabilities		284	799
Total Current Liabilities		191,327	197,037
NON-CURRENT LIABILITIES			
Non-current provisions	4	31,081	28,375
Deferred tax liabilities	4&6	3,776	1,279
Other non-current liabilities		-	24
Total Non-Current Liabilities		34,857	29,678
TOTAL LIABILITIES		226,184	226,715
EQUITY			
Capital	6		
Common stock		362,888	362,888
Total Capital stock		362,888	362,888
Additional paid-in capital	6	46,759	46,759
Retained earnings			
Legal reserve		257,163	251,247
Special reserve		23,968	11,697
Unappropriated earnings		174,786	165,642
Total Retained earnings		455,917	428,586
Other components of equity		(38,245)	(23,968)
TOTAL EQUITY		827,319	814,265
TOTAL LIABILITIES AND EQUITY		\$1,053,503	\$1,040,980

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended December 31,	
		2019	2018
OPERATING REVENUES	4,6&7	\$949,215	\$856,148
COST OF GOODS SOLD	4&7	(688,621)	(591,566)
GROSS PROFIT		<u>260,594</u>	<u>264,582</u>
OPERATING EXPENSES	4&7		
Sales and marketing expense		(137,597)	(137,024)
General and administrative expense		(45,856)	(46,405)
Total Operating Expense		<u>(183,453)</u>	<u>(183,429)</u>
OPERATING INCOME		<u>77,141</u>	<u>81,153</u>
NON-OPERATING INCOME AND EXPENSES			
Other income	6	7,294	8,567
Other gains and losses	6	21,230	6,347
Financial cost		(40)	-
Share of profit (loss) of subsidiaries, associates and joint ventures			
accounted for using equity method, net		(8,007)	(21,218)
Subtotal		<u>20,477</u>	<u>(6,304)</u>
INCOME BEFORE INCOME TAX		97,618	74,849
INCOME TAX EXPENSE	4&6	(21,177)	(15,684)
PROFIT FROM CONTINUING OPERATIONS		<u>76,441</u>	<u>59,165</u>
NET INCOME		<u>76,441</u>	<u>59,165</u>
OTHER COMPREHENSIVE (LOSS) INCOME	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		(2,469)	3,259
Unrealized gains (losses) from investments in equity instruments			
measured at fair value through other comprehensive income		(12,820)	(9,604)
Income tax related to items that will not be reclassified subsequently		3,098	1,222
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(2,295)	5,181
Share of other comprehensive income of associates and joint ventures			
accounted for using equity method		(1,726)	(5,307)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		<u>(16,212)</u>	<u>(5,249)</u>
TOTAL COMPREHENSIVE INCOME		<u>\$60,229</u>	<u>\$53,916</u>
Earnings per share (NTD)			
Basic earnings per share	6		
Basic earnings (loss) per share from continuing operations		2.11	1.63

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 TAIWAN KONG KING CO., LIMITED
 PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
 For the years ended December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other components of equity		
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange difference on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total equity
Balance as of December 31, 2017	\$362,888	\$49,699	\$248,797	\$-	\$133,339	\$(16,381)	\$4,684	\$783,026
Impact of retroactive applications	-	-	-	-	4,684	-	(4,462)	222
Adjusted balance as of January 1, 2018	362,888	49,699	248,797	-	138,023	(16,381)	222	783,248
Appropriation and distribution of 2017 retained earnings:								
Legal reserve	-	-	2,450	-	(2,450)	-	-	-
Special reserve	-	-	-	11,697	(11,697)	-	-	-
Cash Dividends	-	-	-	-	(19,959)	-	-	(19,959)
Other changes in capital surplus:								
Difference between consideration and carrying amount of subsidiaries acquired	-	(2,940)	-	-	-	-	-	(2,940)
Net income for the year ended December 31, 2018	-	-	-	-	59,165	-	-	59,165
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	2,560	(126)	(7,683)	(5,249)
Total comprehensive income	-	-	-	-	61,725	(126)	(7,683)	53,916
Balance as of December 31, 2018	<u>\$362,888</u>	<u>\$46,759</u>	<u>\$251,247</u>	<u>\$11,697</u>	<u>\$165,642</u>	<u>\$(16,507)</u>	<u>\$(7,461)</u>	<u>\$814,265</u>
Balance as of January 1, 2019	362,888	46,759	251,247	11,697	165,642	(16,507)	(7,461)	814,265
Appropriation and distribution of 2018 retained earnings:								
Legal reserve	-	-	5,916	-	(5,916)	-	-	-
Special reserve	-	-	-	12,271	(12,271)	-	-	-
Cash dividends	-	-	-	-	(47,175)	-	-	(47,175)
Net income for the year ended December 31, 2019	-	-	-	-	76,441	-	-	76,441
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,935)	(4,021)	(10,256)	(16,212)
Total comprehensive income	-	-	-	-	74,506	(4,021)	(10,256)	60,229
Balance as of December 31, 2019	<u>\$362,888</u>	<u>\$46,759</u>	<u>\$257,163</u>	<u>\$23,968</u>	<u>\$174,786</u>	<u>\$(20,528)</u>	<u>\$(17,717)</u>	<u>\$827,319</u>

(The accompanying notes are an integral part of the parent company only financial statements)

Note:

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2019 were NT\$996 thousand and NT\$996 thousand, respectively.

The Company recognized the employees' compensation and remuneration to directors and supervisors on December 31, 2018 were NT\$764 thousand and NT\$764 thousand, respectively.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

ITEM	For the years ended December 31,		ITEM	For the years ended December 31,	
	2019	2018		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			CASH FLOWS FROM INVESTING ACTIVITIES:		
Net income before tax	\$97,618	\$74,849	Acquisition of financial assets at fair value through other comprehensive income	(5,567)	-
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Disposal of financial assets at fair value through profit or loss	13,581	-
Depreciation expense	11,999	14,596	Acquisition of investments accounted for using equity method	-	(64,417)
Amortization expense	1,384	1,248	Acquisition of property, plant and equipment	(37,974)	(1,568)
Net loss on financial assets or liabilities at fair value through profit or loss	(22,025)	(279)	Disposal of property, plant and equipment	-	2,500
Interest expense	40	-	Acquisition of intangible assets	(745)	(1,716)
Interest income	(3,192)	(4,441)	Decrease in refundable deposits	4,820	1,613
Share of loss of associates and joint ventures accounted for using equity method	8,007	21,218	Net cash used in investing activities	(25,885)	(63,588)
Gain on disposal of property, plant and equipment	-	(1,944)			
Total adjustments to reconcile (loss) profit	(3,787)	30,398	CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in operating assets and liabilities:			Decrease in receivable deposit	(24)	-
Decrease (increase) in notes receivable	270	(635)	Cash dividends paid	(47,175)	(19,959)
Decrease (increase) in accounts receivable	25,633	(56,739)	Net cash used in financing activities	(47,199)	(19,959)
Increase in accounts receivable-related parties	(2,788)	(452)			
(Increase) decrease in other receivable	(22)	1,232	NET INCREASE IN CASH AND CASH EQUIVALENTS	21,856	14,659
Decrease in other receivable-related parties	79	236	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	301,341	286,682
(Increase) decrease in inventories	(6,336)	1,350	CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$323,197</u>	<u>\$301,341</u>
(Increase) decrease in prepayments	(11,567)	7,336			
Decrease in other current assets	916	1,426			
Increase in contract liabilities	13,496	16,259			
Decrease in notes payable	-	(33)			
Increase in accounts payable	3,351	31,043			
(Decrease) increase in accounts payable-related parties	(19,183)	4,444			
Increase in other payable	4,745	11,891			
Increase (decrease) in other payable-related parties	2,965	(4,721)			
Decrease in other current liabilities	(514)	(25,750)			
Increase (decrease) in provisions	35	(342)			
Total changes in operating assets and liabilities	11,080	(13,455)			
Cash generated from operations	104,911	91,792			
Interest received	4,492	4,440			
Dividends received	11,227	3,306			
Interest expense paid	(40)	-			
Income taxes paid	(25,650)	(1,332)			
Net cash flows from operating activities	94,940	98,206			

(The accompanying notes are an integral part of the parent company only financial statements)

TAIWAN KONG KING CO., LIMITED
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Taiwan Kong King Co., Limited (“the Company”) was incorporated commenced operations on June 14, 1977. The Company trades high-end technology equipment, sells raw materials, and provides customer services as an agent. The Company’s registered office and the main business location is at 5F-1, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.). Wong’s Kong King International (Holdings) Limited is the Company’s parent and the ultimate controlling entity of the Company.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The parent company only financial statements of the Company were authorized for issued by the Company’s Board of Directors’ meeting on March 24, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

- (1) *IFRS 16* “Leases”

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

The Company follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- E. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- F. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered (or changed) on or after January 1, 2019, the Company need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arise.
- G. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; The Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On 1 January 2019, there was no any right-of-use asset and lease liability in the Company.

- H. The Company is a lessor and has not made any adjustments. Please refer to Note 4 to Note 6 for the information relating to the lessor.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

(a) Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
e a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
f b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
i c n	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

i
tion of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

- (b) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

- (c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(i) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(ii) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(iii) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(iv) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The Company has assessed the standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

- (a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and

Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (d) estimates of future cash flows;
- (e) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (f) a risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports are the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports are the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries are disclosed under “Investments accounted for using the equity method” in the parent company only financial report and changes in value are adjusted.

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in thousands of New Taiwan Dollars ("NT\$"), which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a

foreign operation; and

- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: recognition and measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- a. the Company's business model for managing the financial assets and
- b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except

for:

- a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination

to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- c. For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- d. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- a. The rights to receive cash flows from the asset have expired
- b. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- c. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity instruments

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investment accounted for using equity method

The Company's investment in subsidiaries is accounted for using the equity method according to article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted. The profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other

appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before 1 January 2019: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized

in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	4~56 years
Machinery and equipment	3~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Leasehold improvements	3~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Investment properties

The accounting policy from January 1, 2019 as follow:

The Company owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30~50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is

expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy before January 1, 2019 as follow:

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30~50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

(13) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (c) the right to obtain substantially all of the economic benefits from use of the identified asset; and

- (d) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (f) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (g) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (h) amounts expected to be payable by the lessee under residual value guarantees;
- (i) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (j) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (e) the amount of the initial measurement of the lease liability;
- (f) any lease payments made at or before the commencement date, less any lease incentives received;
- (g) any initial direct costs incurred by the lessee; and
- (h) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Computer software</u>
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or Companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(17) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

A. Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is high-end machinery and revenue is recognized based on

the consideration stated in the contract.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

B. Rendering of services

The Company provides maintenance services for the sale of high-end machinery. Such services are separately priced or negotiated, provided based on the numbers of operation. Accordingly, the Company recognized revenues when the Company satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Company are collected evenly throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(18) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's consolidated financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

Operating lease commitment—Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that

taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables—estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand	\$400	\$260
Checking and savings accounts	255,952	150,887
Time deposits	66,845	150,194
Total	<u>\$323,197</u>	<u>\$301,341</u>

(2) Financial assets at fair value through profit or loss, noncurrent

	As of December 31,	
	2019	2018
Mandatorily measured at fair value through profit or loss:		
Foreign listed stocks	<u>\$22,567</u>	<u>\$14,123</u>

Financial assets at fair value through profit or loss-noncurrent were not pledged.

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

	As of December 31,	
	2019	2018
Equity instrument investment measured at fair value through other comprehensive profit and loss :		
Unlisted stocks	\$25,279	\$18,400

Financial assets at fair value through other comprehensive income-noncurrent were not pledged.

(4) Notes receivables

	As of December 31,	
	2019	2018
Notes receivables arising from operating activities	\$826	\$1,096

Notes receivables were not pledged.

(5) Accounts receivables and account receivables-related parties

	As of December 31,	
	2019	2018
Accounts receivables	\$142,974	\$168,607
Less: loss allowance	(449)	(449)
Subtotal	142,525	168,158
Accounts receivables-parties	3,691	902
Total	\$146,216	\$169,060

Accounts receivables were not pledged.

Accounts receivable are generally on 30~150 day terms. As of December 31, 2019 and 2018, the book value were NT\$146,665 thousand and NT\$169,509 thousand, respectively. Please refer to Note 6.14 for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As of December 31,	
	2019	2018
Merchandise inventories	\$27,334	\$20,998

The cost of inventories recognized in expenses amounts to NT\$609,481 thousand and NT\$534,630 thousand for the years ended December 31, 2019 and 2018, including none of the write-down of inventories.

No inventories were pledged.

(7) Investments accounted for using equity method

The following table lists the investments accounted for using the equity method of the Company:

Investee	As of December 31,			
	2019		2018	
	Amount	%	Amount	%
Investment in subsidiaries:				
Hong Kong Taiwan Kong King Limited	\$79,059	99.99%	\$105,107	99.99%
TKK Precision Co., Ltd	122,266	100.00%	125,034	100.00%
Headway Holdings Limited	51,358	100.00%	55,578	100.00%
THT Technology Co., Ltd	3,962	94.50%	8,110	94.50%
Total	<u>\$256,645</u>		<u>\$293,829</u>	

The investments in subsidiaries were disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value were adjusted.

(8) Property, plant and equipment

	Land	Buildings	Machinery			Total
			and equipment	Office equipment	Transportation equipment	
Cost:						
As of January 1, 2019	\$83,974	\$80,468	\$78,102	\$4,285	\$17,282	\$264,111
Additions	17,758	11,090	8,445	80	601	37,974
Disposals	-	-	-	-	-	-
Transfers	4,949	2,604	-	-	-	7,553
As of December 31, 2019	<u>\$106,681</u>	<u>\$94,162</u>	<u>\$86,547</u>	<u>\$4,365</u>	<u>\$17,883</u>	<u>\$309,638</u>
As of January 1, 2018	\$83,974	\$80,468	\$90,582	\$4,185	\$16,728	\$275,937

Additions	-	-	914	100	554	1,568
Disposals	-	-	(12,898)	-	-	(12,898)
Transfers	-	-	(496)	-	-	(496)
As of December 31, 2018	<u>\$83,974</u>	<u>\$80,468</u>	<u>\$78,102</u>	<u>\$4,285</u>	<u>\$17,282</u>	<u>\$264,111</u>
Depreciation and impairment:						
As of January 1, 2019	\$7,000	\$29,170	\$63,516	\$3,591	\$14,125	\$117,402
Depreciation	-	2,696	7,064	422	1,639	11,821
Disposals	-	-	-	-	-	-
Transfers	-	1,347	-	-	-	1,347
As of December 31, 2019	<u>\$7,000</u>	<u>\$33,213</u>	<u>\$70,580</u>	<u>\$4,013</u>	<u>\$15,764</u>	<u>\$130,570</u>
As of January 1, 2018	\$7,000	\$26,813	\$66,265	\$3,151	\$12,133	\$115,362
Depreciation	-	2,357	9,593	440	1,992	14,382
Disposals	-	-	(12,342)	-	-	(12,342)
As of December 31, 2018	<u>\$7,000</u>	<u>\$29,170</u>	<u>\$63,516</u>	<u>\$3,591</u>	<u>\$14,125</u>	<u>\$117,402</u>
Net carrying amount as at:						
December 31, 2019	<u>\$99,681</u>	<u>\$60,949</u>	<u>\$15,967</u>	<u>\$352</u>	<u>\$2,119</u>	<u>\$179,068</u>
December 31, 2018	<u>\$76,974</u>	<u>\$51,298</u>	<u>\$14,586</u>	<u>\$694</u>	<u>\$3,157</u>	<u>\$146,709</u>

No property, plant and equipment were pledged.

(9) Investment properties

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
As of January 1, 2019	\$10,749	\$11,411	\$22,160
Additions from acquisitions	-	-	-
Transfers from (to) inventories and owner-occupied property	(4,949)	(2,604)	(7,553)
As of December 31, 2019	<u>\$5,800</u>	<u>\$8,807</u>	<u>\$14,607</u>
As of January 1, 2018	\$10,749	\$11,411	\$22,160
Additions from acquisitions	-	-	-
As of December 31, 2018	<u>\$10,749</u>	<u>\$11,411</u>	<u>\$22,160</u>
Depreciation and impairment:			
As of January 1, 2019	\$-	\$2,742	\$2,742
Depreciation	-	178	178
Transfer	-	(1,347)	(1,347)
As of December 31, 2019	<u>\$-</u>	<u>\$1,573</u>	<u>\$1,573</u>

As of January 1, 2018	\$-	\$2,528	\$2,528
Depreciation	-	214	214
As of December 31, 2018	\$-	\$2,742	\$2,742
Net carrying amount as at:			
December 31, 2019	\$5,800	\$7,234	\$13,034
December 31, 2018	\$10,749	\$8,669	\$19,418

	For the years ended	
	December 31,	
	2019	2018
Rental income from investment property	\$745	\$946
Less:		
Direct operating expenses from investment property generating rental income	(178)	(214)
Direct operating expenses from investment property not generating rental income	-	-
Total	\$567	\$732

No investment properties were pledged.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The amounts were not assessed by an independent valuer. The fair values of the Company's investment property on December 31, 2019 and 2018 were NT\$25,238~NT\$28,043 thousand and NT\$38,263~NT\$50,935 thousand, which measured by the Company's management referring to information on the Department of Land Administration website and actual transactions in the neighborhood area.

(10) Intangible Assets

	Computer software
Cost	
As of January 1, 2019	\$6,277
Addition-acquired separately	745
Disposal	(451)
As of December 31, 2019	\$6,571
As of January 1, 2018	\$4,687
Addition-acquired separately	1,716
Disposal	(126)
As of December 31, 2018	\$6,277
Amortization and impairment:	
As of January 1, 2019	\$4,055
Amortization	1,384
Disposal	(451)

As of December 31, 2019	<u><u>\$4,988</u></u>
As of January 1, 2018	\$2,932
Amortization	1,248
Disposal	(125)
As of December 31, 2018	<u><u>\$4,055</u></u>
Net carrying amount as of:	
December 31, 2019	<u><u>\$1,583</u></u>
December 31, 2018	<u><u>\$2,222</u></u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Operating costs	\$-	\$65
Selling expenses	<u>\$324</u>	<u>\$135</u>
Administrative expenses	<u>\$1,060</u>	<u>\$1,048</u>

(11) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company makes monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$5,429 thousand and NT\$5,316 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and

Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$1,080 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

As of December 31, 2019, and 2018, the Company expects its defined benefits plan obligation to become due in 2029.

Pension costs recognized in profit or loss are as follows:

	For the years ended	
	December 31,	
	2019	2018
Current period service costs	\$850	\$885
Net interest on the net defined benefit liabilities (assets)	251	348
Total	\$1,101	\$1,233

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of December 31,	
	2019	2018
Defined benefit obligation	\$88,079	\$83,879
Plan assets at fair value	(56,998)	(55,504)
Other non-current liabilities - Accrued pension liabilities (assets) recognized on the parent company only balance sheets	\$31,081	\$28,375

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
As at January 1, 2018	\$85,257	\$(53,045)	\$32,212
Current period service costs	885	-	885
Net interest expense (income)	938	(590)	348
Subtotal	87,080	(53,635)	33,445
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from	(6,169)	-	(6,169)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
changes in financial assumptions			
Actuarial gains and losses arising from changes in demographic assumptions	2,407	-	2,407
Experience adjustments	561	-	561
Remeasurements of defined benefit asset	-	(293)	(293)
Subtotal	83,879	(53,928)	29,951
Payments from the plan	-	-	-
Contributions by employer	-	(1,576)	(1,576)
As at December 31, 2018	83,879	(55,504)	28,375
Current period service costs	850	-	850
Net interest expense (income)	755	(504)	251
Subtotal	85,484	(56,008)	29,476
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,795)	-	(1,795)
Experience adjustments	6,127	-	6,127
Remeasurements of defined benefit asset	-	(1,661)	(1,661)
Subtotal	89,816	(57,669)	32,147
Payments from the plan	(1,737)	1,737	-
Contributions by employer	-	(1,066)	(1,066)
Balance at December 31, 2019	\$88,079	\$(56,998)	\$31,081

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2019	2018
Discount rates	0.70%	0.9%
Expected rates of salary increase	2.00%	2.5%

The following sensitivity analysis for significant assumption:

	For the years ended December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$3,540	\$-	\$4,217
Discount rate decrease by 0.5%	3,796	-	4,527	-
Future salary increase by 0.5%	3,327	-	3,939	-
Future salary decrease by 0.5%	-	3,147	-	3,721

The sensitivity analysis above is based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12)Equities

A. Common stock

The Company's authorized capital and issued capital was NT\$450,000 thousand and NT\$362,888 thousand as at December 31, 2019 and 2018, each at a par value of NT\$10 for 36,289 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2019	2018
Additional paid-in capital	\$36,000	\$36,000
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired / disposed of	10,759	10,759
Total	<u>\$46,759</u>	<u>\$46,759</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution

proposal annually and present it at the shareholders' meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the shareholders' meeting on May 24, 2019 and June 20, 2018, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$5,916	\$2,450		
Special reserve	12,271	11,697		
Common stock - cash dividend	47,175	19,959	\$1.30	\$0.55

Please refer to Note 6.(15) for details on employees' compensation and remuneration to directors and supervisors.

(13) Operating revenues

	For the years ended December 31	
	2019	2018
Sale of goods	\$794,576	\$698,521
Revenue arising from rendering of services	154,639	157,627
Total	\$949,215	\$856,148

Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	Customer	Electronics		Total
	Service Dept	Dept	PCB Dept	
Sales revenue	\$108,590	\$317,977	\$368,009	\$794,576
Rendering of services	36,763	19,330	98,546	154,639
Total	\$145,353	\$337,307	\$466,555	\$949,215
Timing of revenue recognition:				
At a point in time	\$145,353	\$337,307	\$466,555	\$949,215

For the year ended December 31, 2018

	Customer Service Dept	Electronics Dept	PCB Dept	Total
Sales revenue	\$115,898	\$307,779	\$274,844	\$698,521
Rendering of services	28,289	20,311	109,027	157,627
Total	<u>\$144,187</u>	<u>\$328,090</u>	<u>\$383,871</u>	<u>\$856,148</u>
Timing of revenue recognition:				
At a point in time	<u>\$144,187</u>	<u>\$328,090</u>	<u>\$383,871</u>	<u>\$856,148</u>

B. Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	<u>\$16,259</u>	<u>\$29,755</u>	<u>\$13,496</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31 2019 and 2018 are as follows:

	For the years ended December 31	
	2019	2018
The opening balance transferred to revenue	\$12,920	\$21,652
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	26,416	16,259

(14) Expected credit losses/(gains)

	2019	2018
Operating expenses – Expected credit losses/(gains)	<u>\$-</u>	<u>\$-</u>

The Company does not expect that any significant losses will incur because the counterparty fail to fulfill the agreement. Please refer to Note 12 for information of credit risks.

The Company measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 are as follow:

A. the loss allowance of accounts receivables is measured at an amount equal to lifetime

expected credit losses, details are as follow

	As at	
	31 Dec. 2019	31 Dec. 2018
Total carrying amount	\$147,491	\$170,605
Expected credit loss rates	0.30%	0.26%
Loss allowance	449	449
Total	\$147,042	\$170,156

B. based on past experience, the Company considers its accounts receivables as a single group and its loss allowance is measured by using a provision matrix, details are as follow:

For the year ended December 31, 2019

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$147,491	\$-	\$-	\$-	\$-	\$-	\$147,491
Loss ratio	0.30%						0.30%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	\$147,042	\$-	\$-	\$-	\$-	\$-	\$147,042

For the year ended December 31, 2018

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$170,605	\$-	\$-	\$-	\$-	\$-	\$170,605
Loss ratio	0.26%						0.26%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	\$170,605	\$-	\$-	\$-	\$-	\$-	\$170,156

(15) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018:

	2019				2018			
	Operating costs	Operating expenses	Non-operating expenses	Total amount	Operating costs	Operating expenses	Non-operating expenses	Total amount
Employee benefits expense								
Salaries	\$17,455	\$119,929	\$-	\$137,384	\$15,985	\$121,835	\$-	\$137,820
Labor and health insurance	1,521	9,307	-	10,828	1,358	8,935	-	10,293
Pension	918	5,612	-	6,530	810	5,245	-	6,055
Remuneration to directors	-	776	-	776	-	588	-	588
Other employee benefits expense	1,066	5,036	-	6,102	977	4,833	-	5,860
Depreciation	5,329	6,492	178	11,999	8,042	6,340	214	14,596
Amortization	-	1,384	-	1,384	65	1,183	-	1,248

As of December 31, 2019, and 2018, the number of the Company's employee were 152 and 146, including 8 non-employee directors.

The Company's average benefits expense were NT\$1,117 thousand and NT\$1,160 thousand for the years ended December 31, 2019 and 2018, respectively.

The Company's average salaries and wages were NT\$954 thousand and NT\$999 thousand for the years ended December 31, 2019 and 2018, respectively.

The Company's average salaries and wages decreased by (4.5%) for the years ended December 31, 2019 and 2018, respectively.

According to the Articles of Incorporation, 1%-8% of profit of the current year is distributable as employees' compensation, and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash and as remuneration to directors and supervisors only in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2019, the Company estimated the

amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 1% of profit of the current year, recognized as the employees' compensation and remuneration to directors and supervisors were both NT\$996 thousand. The amounts of the employees' compensation and remuneration to directors and supervisors recognized for the year ended December 31, 2018 were both NT\$764 thousand. The estimated amounts were based on the profit of current period and were recognized as salaries.

A resolution was passed at a board of Directors meeting held on March 5, 2019 to distribute NT\$764 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively. Difference between the estimated amount and the actual distribution passed at the Board of Directors' meeting are recognized in profit or loss of the subsequent year.

(16) Non-operating income and expenses

A. Other income

	For the years ended	
	December 31,	
	2019	2018
Rental income	\$1,137	\$1,152
Interest income	3,192	4,441
Others	2,965	2,974
Total	\$7,294	\$8,567

B. Other gains and losses

	For the years ended	
	December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	\$-	\$1,944
Foreign exchange (losses) gains, net	(231)	4,556
Gains on financial assets at fair value through profit or loss (Note)	22,025	279
Others	(564)	(432)
Total	\$21,230	\$6,347

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

For the years ended
December 31,

Interest on borrowings from bank

2019	2018
\$40	\$-

(17) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of	
				other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$(2,469)	\$-	\$(2,469)	\$534	\$(1,935)
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(12,820)	-	(12,820)	2,564	(10,256)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(2,295)	-	(2,295)	-	(2,295)
Share of profit of associates and joint ventures accounted for using equity method	(1,726)	-	(1,726)	-	(1,726)
Total	\$(19,310)	\$-	\$(19,310)	\$3,098	\$(16,212)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of	
				other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$3,259	\$-	\$3,259	\$(699)	\$2,560
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(9,604)	-	(9,604)	1,921	(7,683)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from	5,181	-	5,181	-	5,181

translating the financial statements of a foreign operation					
Share of profit of associates and joint ventures accounted for using equity method	(5,307)	-	(5,307)	-	(5,307)
Total	<u>\$(6,471)</u>	<u>\$-</u>	<u>\$(6,471)</u>	<u>\$1,222</u>	<u>\$(5,249)</u>

(18) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	\$19,096	\$20,943
Adjustments in respect of current income tax of prior periods	-	(1,402)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	2,081	(1,729)
Deferred tax expense (income) relating to changes in tax rate	-	(2,128)
Total income tax expense	<u>\$21,177</u>	<u>\$15,684</u>

Income tax recognized in other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$(2,564)	\$(1,921)
Gains (losses) on remeasurement of defined benefit plan	(534)	699
Income tax relating to components of other comprehensive income	<u>\$(3,098)</u>	<u>\$(1,222)</u>

For the year ended December 31, 2019

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	\$8,933	\$7	\$534	\$9,474
Allowance for inventory valuation losses	1,699	-	-	1,699
Unrealized exchange losses (gains)	(62)	12	-	(50)
Unrealized salaries	5,862	409	-	6,271
Revaluations of financial assets at fair value through profit or loss	(1,184)	(2,509)	-	(3,693)
Revaluations of financial assets at fair value through other comprehensive income	1,865	-	2,564	4,429
Others	(33)	-	-	(33)
Deferred tax income		<u>\$(2,081)</u>	<u>\$3,098</u>	
Deferred tax assets/(liabilities)-net	<u>\$17,080</u>			<u>\$18,097</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$18,359</u>			<u>\$21,873</u>
Deferred tax liabilities	<u>\$1,279</u>			<u>\$3,776</u>

For the year ended December 31, 2018

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	\$8,245	\$1,387	\$(699)	\$8,933
Allowance for inventory valuation losses	1,444	255	-	1,699
Unrealized exchange losses (gains)	17	(79)	-	(62)
Unrealized salaries	3,338	2,524	-	5,862
Revaluations of financial assets at fair	(959)	(225)	-	(1,184)

	Beginning balance (Note)	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
value through profit or loss				
Revaluations of financial assets at fair value through other comprehensive income	(56)	-	1,921	1,865
Others	(28)	(5)	-	(33)
Deferred tax income		\$3,857	\$1,222	
Deferred tax assets/(liabilities)-net	\$12,001			\$17,080
Reflected in balance sheet as follows:				
Deferred tax assets	\$12,029			\$18,359
Deferred tax liabilities	\$28			\$1,279

Unrecognized deferred tax assets

As of December 31, 2019, and 2018, the Company does not have unrecognized deferred tax assets.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017

(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Given that the Company does not have potential common shares which have dilutive effects outstanding, the Company is not required to adjust basic earnings per share for dilution.

For the years ended
December 31,

	2019	2018
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$76,441	\$59,165
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	36,289	36,289
Basic earnings per share (NT\$)	\$2.11	\$1.63

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
TKK Precision Co., Ltd	Subsidiaries
THT Technology Co., Ltd	Subsidiaries
Hong Kong Taiwan Kong King Limited	Subsidiaries
Headway Holdings Limited	Subsidiaries
Hiking Technology (Suzhou) Co., Ltd	Subsidiaries
The Kong King Technology (Suzhou) Co., Ltd	Subsidiaries
Wong's Kong King Holdings Limited	Other related parties
WKK Japan Limited	Other related parties
Taiwan WKK Distribution Co., Ltd.	Other related parties

(2) Significant transactions with related parties

A. Sales

For the years ended
December 31,

	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$31	\$14
THT Technology Co., Ltd	9	-
The Kong King Technology (Suzhou) Co., Ltd	18,749	14,980
Total	<u>\$18,789</u>	<u>\$14,994</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for sales to related parties was month-end 1~2 months.

B. Purchases

	For the years ended December 31,	
	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$63,118	\$77,035
THT Technology Co., Ltd	9,667	16,826
The Kong King Technology (Suzhou) Co., Ltd	-	20
Hiking Technology (Suzhou) Co., Ltd	39	-
Other related parties		
WKK Japan Limited	191,084	110,359
Total	<u>\$263,908</u>	<u>\$204,240</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers were month-end 1~2 months.

(3) Amounts owed by related parties

A. Accounts receivables

	As of December 31,	
	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$8	\$-
THT Technology Co., Ltd	9	-
The Kong King Technology (Suzhou) Co., Ltd	3,674	902

Total	<u>\$3,691</u>	<u>\$902</u>
B. Other receivables		
	As of December 31,	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
TKK Precision Co., Ltd	\$146	\$146
THT Technology Co., Ltd	244	-
Hong Kong Taiwan Kong King Limited	63	382
Hiking Technology (Suzhou) Co., Ltd	-	4
Total	<u>\$453</u>	<u>\$532</u>
(4) Amounts owed to related parties		
A. Account Payables		
	As of December 31,	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
TKK Precision Co., Ltd	\$11,738	\$22,026
THT Technology Co., Ltd	2,675	5,044
Other related parties		
WKK Japan Limited	881	7,407
Total	<u>\$15,294</u>	<u>\$34,477</u>
B. Other payables		
	As of December 31,	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
TKK Precision Co., Ltd	\$61	\$17
Other related parties		
WKK Japan Limited	3,043	122
Total	<u>\$3,104</u>	<u>\$139</u>
(5) Prepayments		
	As of December 31,	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
THT Technology Co., Ltd	\$540	\$4,830
(6) Service revenue		
	For the years ended	
	<u>December 31,</u>	

	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$9	\$217
THT Technology Co., Ltd	233	-
Hong Kong Taiwan Kong King Limited	6,041	4,296
Headway Holdings Limited	18,654	26,090
The Kong King Technology (Suzhou) Co., Ltd	759	266
Other related parties		
WKK Japan Limited	43,832	17,586
Total	<u>\$69,528</u>	<u>\$48,455</u>

(7) Rent income

	For the years ended December 31,	
	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$-	\$77
THT Technology Co., Ltd	757	738
Total	<u>\$757</u>	<u>\$815</u>

(8) Other revenue

	For the years ended December 31,	
	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$833	\$756
THT Technology Co., Ltd	72	72
Headway Holdings Limited	1,855	1,805
Total	<u>\$2,760</u>	<u>\$2,633</u>

(9) Interest income

	For the years ended December 31,	
	2019	2018
Subsidiaries		
Headway Holdings Limited	\$61	\$-

(10) Asset transactions

	For the year ended December 31, 2019	
	Item	Amount
Other related parties		
WKK Japan Limited	Machinery and equipment	\$5,677

	For the year ended December 31, 2018	
	Item	Amount
Subsidiaries		
TKK Precision Co., Ltd	Machinery and equipment	\$1,500

(11) Cost of services

	For the years ended December 31,	
	2019	2018
Subsidiaries		
TKK Precision Co., Ltd	\$657	\$398
THT Technology Co., Ltd	702	1,925
The Kong King Technology (Suzhou) Co., Ltd	33,542	14,982
Hong Kong Taiwan Kong King Limited	-	357
Other related parties		
WKK Japan Limited	1,393	689
Total	\$36,294	\$18,351

(12) Operating expenses

	For the years ended December 31,	
	2019	2018
Subsidiaries		
THT Technology Co., Ltd	\$20	\$45
TKK Precision Co., Ltd	12	-
Other related parties		
WKK Japan Limited	73	35
Wong's Kong King Holdings Limited	901	914

Total	<u>\$1,006</u>	<u>\$994</u>
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(13) Key management personnel compensation

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$18,415	\$17,029
Post-employment benefits	249	233
Total	<u>\$18,664</u>	<u>\$17,262</u>

8. ASSETS PLEDGED AS SECURITY

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	<u>2019</u>	<u>2018</u>
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss	\$22,567	\$14,123
Financial assets at fair value through other comprehensive income	25,279	18,400
Financial assets measured at amortised cost (Note)	475,668	483,244
Total	<u>\$523,514</u>	<u>\$515,767</u>

Financial liabilities

	As of December 31,	
	2019	2018
Financial liabilities at amortized cost:		
Notes payable and accounts payables	<u>\$153,158</u>	<u>\$161,279</u>

Note : Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivables, other receivables and guarantee deposits paid.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). The Company opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Company considered currency factors when making sales quotation to ensure a reasonable profit.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency RMB. The information of the sensitivity analysis is as follows:

- (a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$1,093 thousand and NT\$1,157 thousand, respectively.
- (b) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$108 thousand and NT\$967 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under available-for-sale financial assets. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

For the year ended December 31, 2019, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT\$226 thousand on the equity attributable to the Company.

For the year ended December 31, 2018, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT\$141 thousand on the equity attributable to the Company.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies,

historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019 and 2018, amounts receivables from top ten customers represent 72.57% and 76.30% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses, for the loss allowance of accounts receivables is measured at lifetime expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and industrial information, the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2019					
Notes payables	\$16	\$-	\$-	\$-	\$16
Accounts payables	139,773	13,369	-	-	153,142

As of Dec. 31, 2018

Notes payables	\$16	\$-	\$-	\$-	\$16
Accounts payables	152,805	8,458	-	-	161,263

(6) Fair value of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measure hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

For assets and liabilities measured at fair value on a recurring basis, the Company re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Fair value measurement hierarchy of the Company's assets

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets measured at fair value on a recurring basis is as follows:

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$22,567	\$-	\$-	\$22,567
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	25,279	25,279

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$14,123	\$-	\$-	\$14,123
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	18,400	18,400

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	\$18,400
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	1,312

Acquisition/issues for the year ended December 31, 2019	5,567
Ending balances as at December 31, 2019	<u>\$25,279</u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship	
				between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$3,607 thousand

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship	
				between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT\$2,625 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market

conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6.(9))	\$-	\$-	\$25,238~ 28,043	\$25,238~ 28,043

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6.(9))	\$-	\$-	\$38,263~ 50,935	\$38,263~ 50,935

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2019		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$4,647	30.0400	\$139,595
JPY	530,653	0.2764	146,672
EUR	502	33.6600	16,897
RMB	2,741	4.3100	11,814
<u>Financial liabilities</u>			
Monetary items:			
USD	\$1,008	30.0400	\$30,280
JPY	70,909	0.2764	19,599
EUR	433	33.6600	14,574
RMB	225	4.3100	970

As of December 31, 2018

	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$4,702	30.7100	\$144,398
JPY	157,392	0.2782	43,787
EUR	431	35.1900	15,167
RMB	21,670	4.4680	96,822
 <u>Financial liabilities</u>			
Monetary items:			
USD	\$933	30.7100	\$28,652
JPY	22,901	0.2782	6,371
EUR	93	35.1900	3,273
RMB	10	4.4680	44

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

For the years ended December 31, 2019 and 2018, the Company's foreign exchange gains/ (losses) were NT\$(231) thousand and NT\$4,556 thousand, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURES

(1) Information at significant transactions

- 1 Financing provided to others : 4
- 2 Endorsements/guarantees provided : None
- 3 Marketable securities held : 1
- 4 Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital : None
- 5 Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital : None
- 6 Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital : None

- 7 Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : 5
- 8 Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None
- 9 Trading in derivative instruments : None

(2) Information on investees : Please refer to Attachment 2

(3) Information on investments in mainland China: Please refer to Attachment 3

14. OPERATING SEGMENT INFORMATION

In accordance with IFRS 8 “*Operating Department*”, the Company is not required to prepare operating segment information for parent company only financial statements, if the consolidated financial statements disclosed such information. The company has disclosed operating segment information in the consolidated financial statements.

Attachment 1 (Securities held as of December 31, 2019)

Unit: Amount in thousands of NTD or JPY
(Except for the shares or units)

Holding Company Name	December 31, 2019	Relationship	Financial statement account	December 31, 2019				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Taiwan Kong King Co., Limited	Foreign listed stocks	-	Financial assets at fair value through profit or loss, noncurrent	23,700	JPY 81,647	0.65%	JPY 3,445	-
	Inspec Limited							
Taiwan Kong King Co., Limited	Unlisted stock	-	Financial assets at fair value through other comprehensive income, noncurrent	3,056,689	\$25,279	2.60%	\$8.3	(Note 1)
	Raytek Semiconductor, Inc.							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	26,209,999	79,059	99.99%	-	(Note 1)
	Hong Kong Taiwan Kong King Limited							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	6,237,000	122,266	100.00%	-	(Note 1)
	TKK Precision Co., Ltd.							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	1,100,000	51,358	100.00%	-	(Note 1)
	Headway Holdings Limited							
Taiwan Kong King Co., Limited	Unlisted stock	Investments accounted for under the equity method	Investments accounted for using equity method	4,725,000	3,962	94.50%	-	(Note 1)
	THT Technology Co., Ltd.							

Note 1: No market price.

Attachment 1-1 (Securities held as of December 31, 2019)

Unit: Amount in thousands of NTD

(Except for the shares or units)

Holding Company Name	December 31, 2019	Relationship	Financial statement account	December 31, 2019				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Hong Kong Taiwan Kong King Limited	Stocks	-	Financial assets at fair value through other comprehensive income, noncurrent	152,000	\$3,395	19.00%	\$3,395	(Note 1)
	Leetech International Co., Ltd.							
Hong Kong Taiwan Kong King Limited	Stocks	-	Financial assets at fair value through other comprehensive income, noncurrent	1,516,606	1,398	9.03%	1,398	(Note 1)
	Top Range Machinery Co., Ltd.							
Hong Kong Taiwan Kong King Limited	Stocks	Second-tier subsidiary	Investments accounted for using equity method	2,500,000	51,379	100.00%	-	(Note 1)
	The Kong King Technology (Suzhou) Co., Ltd.							
Headway Holdings Limited	Stocks	Second-tier subsidiary	Investments accounted for using equity method	12,636,000	40,599	100.00%	-	(Note 1)
	Hiking International Co. Ltd.							
Hiking International Co. Ltd	Stocks	Third-tier subsidiary	Investments accounted for using equity method	1,623,700	41,997	100.00%	-	(Note 1)
	Hiking Technology (Suzhou) Co., Ltd.							

Note 1: No market price.

Attachment 2 (Names, locations and related information of investee companies as of December 31, 2019)

Unit: Amount in thousands of NTD
(Except for the shares or units)

Investor Company	Investee Company	Location	Main Businesses and Products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income(loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Carrying Amount			
Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	Hong Kong	Electronic components trading etc.	\$114,505	\$114,505	26,209,999	99.99%	\$79,059	\$(9,695)	\$(9,687)	Subsidiary
Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	R.O.C	Electronic components manufacturing, electronic materials trading and testing, and machinery and equipment retailing	90,530	31,185	6,237,000	100.00%	122,266	7,029	8,257	Subsidiary
Taiwan Kong King Co., Limited	Headway Holdings Limited	Samoa	Electronic components trading etc.	36,076	36,076	1,100,000	100.00%	51,358	(2,406)	(2,428)	Subsidiary
Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	R.O.C	Machinery, equipment retailing and electronic components manufacturing etc.	47,250	31,250	4,725,000	94.50%	3,962	(4,906)	(4,149)	Subsidiary
Hong Kong Taiwan Kong King Limited	The Kong King Technology (Suzhou) Co., Ltd.	China	Electronic materials, machinery and precision equipment retailing, information software service and international trade business	49,538	49,538	2,500,000	100.00%	51,379	(2,247)	(Note 1)	Second-tier Subsidiary
Headway Holdings Limited	Hiking International Co. Ltd.	Hong Kong	Investment holding	27,764	27,764	12,636,000	100.00%	40,599	(6,759)	(Note 1)	Second-tier Subsidiary
Hiking International Co. Ltd.	Hiking Technology (Suzhou) Co., Ltd.	China	Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service	57,408	27,764	1,623,700	100.00%	41,997	(6,466)	(Note 1)	Third-tier Subsidiary

Note 1 : Subsidiaries and investments accounted for under the equity method were not invested directly by the Company is not required to disclose.

Attachment 3 (Investment in Mainland China as of December 31, 2019)

Unit: Amount in thousands of NTD

Investee Company	Main Businesses and Products	Total amount of paid-in capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow					
Hiking Technology (Suzhou) Co., Ltd.	Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service	\$52,700	(Note 1.(2))	\$27,764	\$-	\$-	\$27,764	100%	\$(6,466) (Note 2.(2) .c)	\$41,997	\$-
The Kong King Technology (Suzhou) Co., Ltd.	Electronic materials, machinery and precision equipment retailing, information software service and international trade business	82,038	(Note 1.(1))	49,538	-	-	49,538	100%	\$(2,247) (Note 2.(2) .c)	51,379	-

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$77,302	\$108,264	\$496,391

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Others.

Note 2 : Information of the investment income (loss) recognized in current period include the following:

- (1) Noted when investment income (loss) was not showed as the financial statement is not yet prepared.
- (2) The investment income (loss) were determined based on the following basis:
 - a. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C accounting firm.
 - b. The financial statements were audited by the auditors of the parent company.
 - c. Others.

Attachment 4 (Financing provided to others as of December 31, 2019)

Unit: Amount in thousands of NTD

No (Note 1)	Creditor	Borrower	General Leger account	Related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019 (Credits approved by the Boards)	Actual amount	Interest rate%	Nature for Financing	Reason for Financing	Loss Allowance	Collat eral	Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	Temporary payment	yes	\$55,280	\$55,280	\$-	0.80%	Due to short-term financing	Need for operating	\$-	-	\$82,732	\$330,928

Note 1 : The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2 : The limits and the calculation is based on the 10% of equity of report audited by the auditors.

Note 3 : The limits and the calculation is based on the 40% of equity of report audited by the auditors.

Attachment 5 (Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital)

Unit: Amount in thousands of NTD

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Kong King Co., Limited	WKK Japan Limited	Other related parties	Purchases	\$191,084	30.07%	30 days	Note	Note	\$(881)	(0.93%)	

Note : No material differences between other transactions.

5. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status in the most recent 2 fiscal years

A. Analysis of Financial Status : (difference up to 20% and up to NT\$10,000,000)

Units: NT\$Thousands

Item \ Year	2018	2019	Difference		Remarks
			Amount	%	
Current Assets	752,592	782,697	30,105	4.00	Note 1
Fixed Assets	222,188	245,729	23,541	10.60	
Other noncurrent assets	90,348	86,734	(3,614)	(4.00)	
Total Assets	1,065,128	1,115,160	50,032	4.70	
Current Liabilities	219,539	250,780	31,241	14.23	
Total Non-Current Liabilities	30,898	36,831	5,933	19.20	
Total Liabilities	250,437	287,611	37,174	14.84	
Capital stock	362,888	362,888	0	0.00	
Capital surplus	46,759	46,759	0	0.00	
Retained Earnings	428,586	455,917	27,331	6.38	
Other components of equity	(23,542)	(38,015)	(14,473)	61.48	
Total Stockholders' Equity	814,691	827,549	12,858	1.58	
Analysis of changes in financial ratios (Consolidated)					
Note 1: This refers to the valuation of financial assets.					

2. Analysis of Operating Status

A. Analysis of Financial Status: (difference up to 20% and up to NT\$10,000,000)

Units: NT\$Thousands

Item	Year	2018		2019		Differenc	Diff %	Remarks
		Amount	Total	Amount	Total			
Gross Sales		1,143,006		1,154,427		11,421	0.99	
Less: Sales Returns		(5,744)		(84)		(5,660)	(98.54)	
Sales Allowances		(687)		(115)		(572)	(83.26)	
Net Sales			1,136,575		1,154,228	17,653	1.55	
Cost of Sales			(801,409)		(813,283)	11,874	1.48	
Gross Profit			335,166		340,945	5,779	1.72	
Affiliated company realized benefits								
Operating Expenses			(275,197)		(274,282)	(915)	(0.33)	
Operating Income			59,969		66,663	6,694	11.16	
Non-oper. Inc. and exp.			15,650		32,486	16,836	107.58	Note 1
Pre-tax profit of continuing business units			75,619		99,149	23,530	31.12	Note 2
Income tax paid			(18,560)		(22,947)	4,387	23.64	
Net profit after tax of continuing business units			57,059		76,202	19,143	33.55	Note 3
Analysis of changes in financial ratios: (Consolidated)								
Note 1. Non-operating income increased mainly due to the increase in valuation of financial assets.								
Note 2. Non-operating income and net profit before tax of continued business department increase.								
Note 3. Non-operating income net profit after tax of continued business department increase.								

B. Analysis of changes in operating gross profit :

	The amount of increase/decrease compared to the previous period	Reasons for difference			
		Sales Price	Cost Price	Sales mix	Quantity
Operating gross profit	5,779	17,653	11,874	-	-
Analysis	Operating gross profit decreased mainly due to the decrease in operating income.				

3. Cash Flow:

A. Liquidity analysis in the most recent 2 fiscal years (difference up to 20%)

Item	Year	Dec 31, 2018	Dec 31, 2019	Diff%
Cash Flow Ratio (%)		43.50	44.15	1.49
Cash Flow Adequacy Ratio		91.56	108.74	18.76
Cash Reinvestment Ratio		12.68	10.78	(14.98)
Analysis of financial ratio change: (Consolidated)				
1. Cash reinvestment ratio: Did not meet the criteria for analysis.				

B. Cash flow forecast analysis

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
505,967	110,000	90,000	525,967	-	-
<p>Note: The cash flow from operating activities is expected to be 110,000,000 in the coming year. It is estimated that the cash outflow of investment activities in the coming year will be NT\$30,000,000 and the cash outflow from financing activities will be NT\$60,000,000.</p>					

4. Major capital expenditures during the most recent fiscal year : None.

5. Reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year: None.

6. Risk analysis of the following matters in the most recent year and the up to date of publication of the annual report:

A. The organizational structure of the company's various risk management, its implementation and responsible units are as follows:

(1) Board of Directors: Keep in line with relevant government laws and regulations, review the company's relevant management measures, and ensure the effectiveness of the company's operating rights and operational risk management.

(2) General Manager's Room: Mainly responsible for the decision-making risk, network information security and operational risk assessment and

implementation of the responsible strategy, supervising and coordinating the relevant matters of each department.

- (3) Audit Division: Mainly focused on the company's objectives, risk tolerance and strategy, and actively assists the company's managers to deal with all the risks associated with the entire enterprise.
- (4) Management Division: Responsible for the company's legal risk, company and employee crisis management, asset management risk assessment and implementation strategy.
- (5) Finance Division: Mainly responsible for the assessment and control of interest rate, exchange rate and financial risk, liquidity risk and credit risk. It is the responsible unit for the assessment and execution of relevant financial risk management of the Company.

B. The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future: None.

- (1) The change in interest rate has no impact on the Company as the Company has no short-term and long-term borrowings.
- (2) Measures to avoid exchange rate fluctuations are as follows:
 - Open a foreign currency deposit account and adjust the foreign currency position at any time to avoid exchange rate risk.
 - Keep track of exchange rate changes and keep close contact with current banks to fully understand the trend of exchange rates.
 - Consider the foreign exchange rate factor when selling the goods to protect the company's reasonable profits.
- (3) Effect of inflation on the Company's profit/loss: None.

C. Research and development work to be carried out in the future, and further expenditures expected for research and development work: The Company has none of the above situations.

D. Effect on the company's financial operations of important policies adopted and

changes in the legal environment at home and abroad, and measures to be taken in response: Important domestic and international policies and legal changes did not have a significant impact on the financial aspects of the company in 2019 and the up to the date of publication of the annual report.

- E. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: The external transfer of the industry will have an impact on the company's performance. Hence, the company has gradually expanded its services to Chinese Taiwanese companies and introduced high-end products to serve Taiwanese customers in order to create barriers to entry.
- F. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.
- G. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: Not applicable, as the Company did not conduct any M & A activity in 2019.
- H. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not applicable, as the company has not expanded its plant in 2019.
- I. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: The Company's sales or purchasing operations is not consolidated in the case of a specific customer or manufacturer.
- J. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None of the above-mentioned personnel has a major quantity of shares being transferred.
- K. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: The major shareholders of the Company holds 67.44% of total shares and there are no plans on share transfers, hence the Company's management rights are stable.

L. For litigious and non-litigious matters, the directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price: None.

M. Other important risks, and mitigation measures being or to be taken:

Information security risk evaluation and analysis: For the purposes of carrying out information security management, we have developed a managerial approach named "Electronic Data Processing Cycle" to specify safe operation policy. Our information server room has set up an access control device to ensure confidentiality of data. Furthermore, we also set up applicable fire service equipment and independent air-conditioners to maintain appropriate temperature and humidity, along with voltage regulator and uninterrupted power system to maintain stable operation of information center. We have backup and remote backup for internal system, along with disaster recovery exercises for servers every year to reduce risks of interrupted operation due to unexpected natural disaster or intentional negligence. Besides, we execute information communication security checks pursuant to the "electronic data processing cycle" by setting firewall and antivirus software to avoid hacker or virus attack, also, our Information Technology Department test and maintain network on a regular basis. We have never encountered any information security risk event that caused material negative impact on operation and business in 2019 and as of the date of printing the financial statement in 2020.

7. Other important matters:

A. Basis for evaluation of the method of listing the assets and liabilities assessment, the basis and the main reasons for its occurrence:

(1) Basis for the assessment of the provision for bad debts, the basis and the main reasons for its occurrence: Based on the experience of bad debts in the past, the aging of the receivables on the balance sheet date and the assessment of the possibility of recovery are presented.

- (2) Basis for the assessment of the provision for impairment of inventories, the basis and the main reasons for the inventories: The inventories are evaluated on each basis for the cost and net realizable value.
- (3) Basis for the assessment of financial assets allowance and the main reasons for its occurrence:
- The financial assets and liabilities included in the profit and loss of changes in the fair value of the Company are derivative financial products that fail to meet the hedge accounting. When it is initially recognized, it is measured by fair value, and in the subsequent evaluation, the change in fair value is recognized as the profit and loss for the current year. When purchasing or selling financial assets in accordance with trading practices, the settlement date is used for accounting. The fair value of derivative financial products is estimated by the evaluation method; if the fair value is positive, it is classified as financial asset, whereas if the fair value is negative, it is classified as financial liabilities.
 - There is no reason due to no occurrence of the aforementioned situation.
- B. Financial products other than stocks and depositary receipts are determined by the fair value of purchase price or the selling price.
- C. Hedge accounting: not applicable.

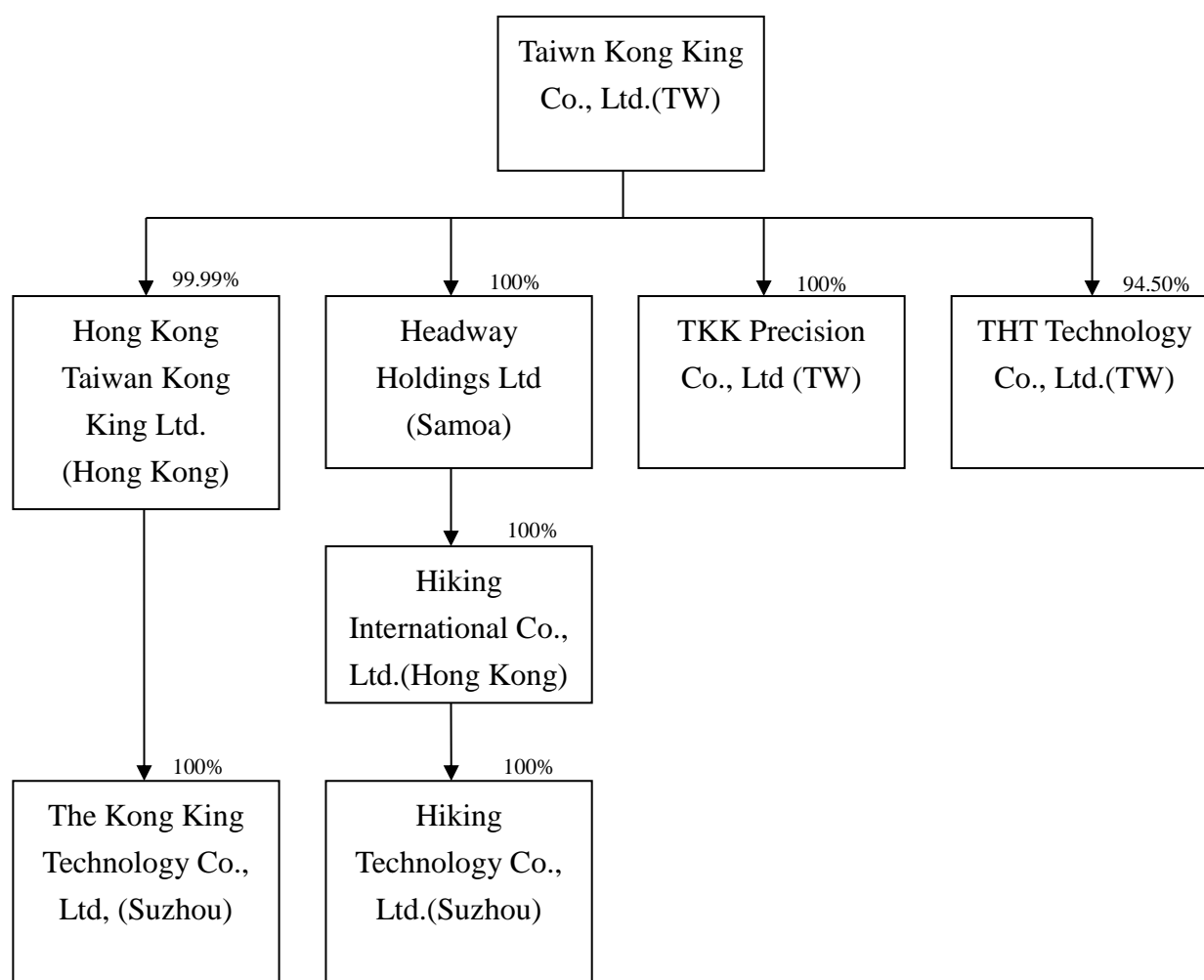
VIII. Special Disclosure

1. Information related to the company's affiliates

A. Consolidated Business Report of affiliate companies

(1) Organizational Chart of affiliate companies :

Taiwn Kong King Co., Ltd. Organizational Chart of affiliate companies



(2) Basic Information of affiliate companies

Units: NT\$thousand; HKD; RMB;USD

Name	Date of incorporation	Address	Paid-In Capital	Type of business or manufacturing product
Taiwan Kong King Co., Ltd.	Jun 14, 1977	5F.-4, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT\$362,888	1. Sales agent and after-sales service of printed circuit board equipment. 2. Provides sales agency and after-sales services for semiconductor packaging and electronic assembly equipment. 3. Provides sales agency and after-sales services for CD-R/DVD devices.
TKK Precision Co., Ltd.(Taiwan)	Apr 24, 2001	2F., No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT\$62,370	Electronic components manufacturing, electronic materials trading, wholesale and retail of mechanical equipment, testing of electronic components.
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	May 17, 1990	17/F, Octa Tower, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong	HKD 26,210,000	Electronic components trading
Headway Holdings Ltd. (Samoa)	Jan 18, 2002	Offshore Chambers, P.O.Box 217, Apia, Samoa	USD 1,100,000	Electronic components trading
Hiking International Co., Ltd. (Hong Kong)	Jun 24, 2002	17/F, Octa Tower, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong	HKD 12,636,000	Investment holding
Hiking Technology Co., Ltd. (Suzhou)	Oct 18, 2002	No. 69, Suhong West Road, Suzhou Industrial Park, Suzhou, China	RMB 12,208,000	Design, manufacture, process and test printed circuit board process equipment, test heads and other related products, sell company products and provide after-sales service.
THT Technology Co., Ltd. (Taiwan)	Mar 8, 2006	3F.-2, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT\$50,000	1. Electronic components, general instrument manufacturing 2. International trade (limited to related products on manufacturing and processing)

Name	Date of incorporation	Address	Paid-In Capital	Type of business or manufacturing product
The Kong King Technology Co., Ltd, (Suzhou)	Feb 5, 2008	No. 81, Suhong West Road, Suzhou Industrial Park, Suzhou, China	RMB 17,357,000	1. Design, manufacture and sales of semiconductor, optoelectronic special production equipment; related spare parts, sales of consumable materials and related after-sales services. 2. Wholesale, import and export, commission agents (excluding auctions) and related businesses of similar products for production.

(3) Shareholders presumed to have control and subordinate relationship with the same information

Presumption reason	Name (Note 1)	Shareholding(Note 2)		Date of Establishment	Address	Paid-In Capital	Type of business
		Shares	%				
【None】							

Note 1: If the corporate shareholders are the same, fill in the name of the corporation; if the natural person shareholder is the same, fill in the name of the natural person. Natural person shareholders only need to fill in the presumption reason, the name and number of shares.

Note 2: The holding of shares is filled in the information of shareholder's shareholding on the controlled company.

- (4) Overall related industries covered by business operations
- Machine and components manufacturing, import/export and sales
 - Sales and import/export of chemical, printed materials and electronic printing machinery.
 - Market development, investment holding and trade distribution business.
- (5) The division of labor in business operations of affiliated companies:
- Taiwan Kong King Co., Ltd. is a professional import and export agent, which provide sales and after-sales service of all kinds of electronic equipment spare parts and materials. It mainly deals in industrial related sales business such as PCB, chemical materials, optoelectronic semiconductor and electronic assembly SMT in Taiwan and China.
 - Taiwan subsidiaries:
 - a. The main businesses of TKK Precision Co., Ltd. are: Electronic components manufacturing, trading of electronic materials, wholesale and retail of mechanical equipment, and electronic components testing.
 - b. The main businesses of THT Technology Co., Ltd. are machine manufacturing and assembly.
 - China subsidiaries:
 - a. The main businesses of Hiking Technology Co., Ltd. are as follows: The design, production, processing and testing of printed circuit board manufacturing process equipment, test heads and other related products, and sales of company products and after-sales service.
 - b. The main businesses of The Kong King Technology Co., Ltd, (Suzhou) are as follows: Electronic materials wholesale, machinery wholesale, precision appliances retail, information software services, and international trade.

- Hong Kong subsidiary:
- Mainly focus on merchanting trade business related to PCB, chemical materials, optoelectronic semiconductors, electronic assembly and other industries

(6) Basic Information of directors, supervisors and general managers of affiliated companies

Units: NT\$thousand; Shares; %

Name of Company	Title (Note 1)	Name or representative	Shares owned (Note2)(Note3)	
			Shares	%
Taiwan Kong King Co., Ltd. (TW)	Chairman	Byron Ho-Representative of WKK	24,473,836	67.44%
	General Manager	LIAO HUNG-YING	422,000	1.16%
	Director	Senta Wong -Representative of WKK	24,473,836	67.44%
	Director	Edward Tsui-Representative of WKK	24,473,836	67.44%
	Director	HSU HUNG-CHIEH -Representative of WKK	24,473,836	67.44%
	Director	CHANG JUI-SHUM -Representative of WKK	24,473,836	67.44%
	Director	LIAO HUNG-YING	422,000	1.16%
	Director	CHEN MEI-FEN	287,035	0.79%
	Independent Director	LOK ARTHUR K.	0	0.00%
	Independent Director	HUANG WEN-YUEAN	1,050	0.00%
	Independent Director	CHAN CHUN-YEN	0	0.00%
	Supervisor	KEN CHOU– Representative of Top Range Machinery Co., Ltd.	378,484	1.04%
Supervisor	WU KUO-HSIEN	0	0.00%	
Supervisor	TSAI CHIH-WEI	0	0.00%	
TKK Precision Co., Ltd.(TW)	Chairman	LIAO HUNG-YING -Representative of TKK	6,237,000	100.00%
	General Manager	FAN TING-CHI-Representative of TKK	6,237,000	100.00%
	Director	LIAO HUNG-YING -Representative of TKK	6,237,000	100.00%
	Director	FAN TING-CHI-Representative of TKK	6,237,000	100.00%
	Director	LIAO DE-HSIANG-Representative of TKK	6,237,000	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	6,237,000	100.00%
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	Director	Senta Wong	1	0.00%
	Director	Edward Tsui	0	0.00%
	Director	Byron Ho	0	0.00%
	Director	LIAO HUNG-YING -Representative of TKK	26,209,999	99.99%
Headway Holdings Limited.(Samoa)	Director	HO SHU-CHAN-Representative of TKK	1,100,000	100.00%

Name of Company	Title (Note 1)	Name or representative	Shares owned (Note2)(Note3)	
			Shares	%
Hiking International Co., Ltd.(Hong Kong)	Director	HO SHU-CHAN-Representative of TKK	12,636,000	100.00%
	Director	LIAO HUNG-YING -Representative of TKK	12,636,000	100.00%
	Director	CHEN MEI-FEN -Representative of TKK	12,636,000	100.00%
Hiking Technology Co., Ltd.	Chairman	LIAO HUNG-YING -Representative of TKK	55,528	100.00%
	General Manager	FAN TING-CHI-Representative of TKK	55,528	100.00%
	Director	LIAO HUNG-YING -Representative of TKK	55,528	100.00%
	Director	FAN TING-CHI-Representative of TKK	55,528	100.00%
	Director	LIAO DE-HSIANG -Representative of TKK	55,528	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	55,528	100.00%
THT Technology Co., Ltd.(TW)	Chairman	LIAO HUNG-YING -Representative of TKK	4,725,000	94.50%
	General Manager	LIAO HUNG-YING -Representative of TKK	4,725,000	94.50%
	Director	LIAO HUNG-YING -Representative of TKK	4,725,000	94.50%
	Director	FAN TING-CHI-Representative of TKK	4,725,000	94.50%
	Director	CHANG CHUN-GU - Representative of TKK	4,725,000	94.50%
	Supervisor	CHEN MEI-FEN -Representative of TKK	4,725,000	94.50%
The Kong King Technology Co., Ltd, (Suzhou)	Chairman	LIAO HUNG-YING -Representative of TKK	49,538	100.00%
	General Manager	LIAO HUNG-YING -Representative of TKK	49,538	100.00%
	Director	HO SHU-CHAN-Representative of TKK	49,538	100.00%
	Director	FAN TING-CHI-Representative of TKK	49,538	100.00%
	Director	CHENG FU-WEN-Representative of TKK	49,538	100.00%
	Director	CHANG JUI-SHUM -Representative of TKK	49,538	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	49,538	100.00%

Note 1: If the related company is a foreign company, the equivalent position shall be listed.

Note 2: If the invested company is a joint stock company, please fill in the number of shares and percentage of shareholding. Please fill in the capital amount and capital contribution ratio, and shall be noted in the above table.

Note 3: When the director and the supervisor are legal persons, the relevant information of the Representative should be disclosed.

(7) Operation Status of affiliate companies a.:

Unit: NT\$ thousand

Company name	Capital	Total Assets	Total Liabilities	Net worth	Operating revenues	Operating interest	Current income (After tax)	Earnings per share(NTD)
Taiwan Kong King Co., Ltd.(TW)	362,888	1,053,503	226,184	827,319	949,215	77,141	76,441	2.11
TKK Precision Co., Ltd.(TW)	62,370	137,353	12,645	124,708	65,062	7,629	7,029	1.13
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	101,092	90,799	10,496	80,303	41,789	(12,156)	(9,695)	-
Headway Holdings Limited. (Samoa)	33,044	63,912	12,725	51,187	131,850	3,717	(2,406)	-
Hiking International Co., Ltd. (Hong Kong)	48,739	41,998	1,400	40,598	-	(295)	(6,759)	-
Hiking Technology Co., Ltd.(China)	52,618	45,099	3,101	41,998	11,618	(6,602)	(6,463)	-
The Kong King Technology Co., Ltd, (Suzhou)(China)	74,806	69,529	18,150	51,379	89,794	(4,912)	(2,247)	-
THT Technology Co., Ltd.(TW)	50,000	31,437	27,037	4,400	22,462	(4,931)	(4,906)	-

b. Relational Business Consolidated Financial Statements:

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TAIWAN KING KONG CO., LTD. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of TAIWAN KING KONG CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TAIWAN KING KONG CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

c. Relational Report: Please refer to pages 307 to 314.

2. Transaction about the company’s private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
4. Other matters that require additional description:
Incompleted commitments on the OTC market: None.



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Opinion on Affiliation

Your company has issued a statement, as attached, indicating your 2019 affiliation report for the period from January 1, 2019 to December 31, 2019 was complied with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. The statement also indicated the information within the 2019 affiliation report has no significant differences from the related notes of your 2019 financial statements.

We have reviewed and compared the information within your 2019 affiliation report and the notes of your 2019 financial statements. Based on our procedures, we did not find any significant deficiencies.

HSU, JUNG-HUANG

CHANG, CHIH-MING

Ernst & Young, Taipei, Taiwan
March 24, 2020

Summary on the relationship between the affiliated company and the controlling company

Unit: shares; %

Name of the controlling company	Reason of control	Share ownership and pledges of the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares pledged	Title	Name
Wong's Kong King Int'l (Holdings) Ltd.	Own more than half of the shares with voting right issued by the company	24,473,836	67.44%	0	Chairman	HO SHU-CHAN
					Director	HSU HUNG-CHIEH
					Director	SENTA WONG
					Director	TSUI YING-CHUN
					Director	CHANG JUI-SHUM

Note: When the controlling company of the subordinate company is the subordinate company of another company, the preparer of this information should also fill in the information of that company. The same rule applies when that company is again the subordinate company of another company. The same rule applies hereafter.

Purchase and sales

Unit: NT\$ thousand; %

Transactions with the controlling company				Terms of transactions with the controlling company		Arms length terms of transaction		Reason of the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (sales)	Amount	Percentage of total purchase (sales)	Gross profit from sales	Price (NT\$)	Duration of credit	Price (NT\$)	Duration of credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: If the company has advanced receipts (payments), the company should describe the reason, articles of the contract, the amounts, and the differences between these transactions and arms length transactions in the remarks section.

Note 2: If none of the stated titles are applicable, the preparers may adjust the titles by themselves. If preparers cannot find titles in the table due to the nature of the industry, preparers do not need to fill in the information.

Property transactions

Unit: NT\$ thousand

Transaction type (acquisition or disposal)	Name of property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment and receipt of consideration	Disposal gains (Note 1)	The reasons why transaction counterparties are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Holder	Relationship with the company	Transfer date	Amount				
None															

Note 1: The preparer does not need to fill in the information on the acquisition of property

Note 2: (1) The preparer should provide the information on the original acquisition by the controlling company in the acquisition of property. The preparer should provide the information on the original disposal by the subordinate company in the disposal of property

(2) Preparer should explain the relationship between the property owner and the subordinate company or controlling company in the “Relationship with the company” section.

(3) If the counterparty in the previous transfer transaction was a related party, the preparer should add the information on the previous transfer from that related party in the same space.

Note 3: The preparer should explain the decision making level of the transaction.

Financing

Unit: NT\$ thousand; %

Transaction type (Borrowing or lending)	Highest balance	Balance at the end of the period	Interest rate range	Total interest in this period	Duration of financing	Reason of financing	Acquiring (providing) collaterals		The methods for determining the transactions (Note 1)	Provision of the allowance for bad debt (Note2)
							Name	Amount		
None										

Note 1: The preparer should explain the decision making level of the transaction.

Note 2: There is no need to provide the information on borrowing funds.

Lease of assets

Unit: NT\$ thousand

Transaction type (rent or lease)	Property		Lease duration	Nature of the lease (Note 1)	Basis of determining the rent	Method of collection (payment)	Comparison with regular rent levels	Total rent in this period	Payment and receipt in this period	Other stipulations (Note 2)
	Name	Location								
None										

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and servitude of real property, the preparer should disclose such conditions.

Endorsements

Unit: NT\$ thousand; %

Highest balance	Balance at the end of the period		Reason for the endorsement	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral	The amount of contingent loss already recognized in financial statements	Violations of operation regulations codified by the company
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value			
None									

Declaration

It is hereby declared that the Affiliation Report for 2019 (from January 1, 2019 to December 31, 2019) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

Hereby certify

Company Name: Taiwan Kong King Co., Ltd.

Chairman: Ho, Shu-Chan

March 24, 2020

IX. Matters that have Significant Impact on Shareholder's Equity or on Share Prices

【If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.】

TAIWAN KONG KING CO., LTD.

Chairman: HO SHU-CHAN

TKK

TAIWAN KONG KING CO., LTD.

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