Stock Code
3311

Silitech Technology Corporation

2019 Annual Report

(Translation)

(This English translation is prepared in accordance with the Chinese version and is for reference only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)

Printed on April 30, 2020
Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
Silitech annual report is available at http://www.silitech.com

Spokesperson: James Huang, President
Acting Spokesperson: Sarah Cheng, CFO
Tel: (02) 2623-2666
Fax: (02) 2623-5987
e-mail: spokesperson@silitech.com

Corporate Headquarters & Tamsui Plant

73, Kuirou Shan Rd., Tamsui District, New Taipei City 251, Taiwan, R.O.C.
Tel: (02) 2623-2666

Stock Transfer Agent

Stock Affairs Division
1F, 392, Ruey Kuang Road, Neihu Dist., Taipei 114, Taiwan, R.O.C.
Website: www.silitech.com
Tel: (02) 8798-2301

Auditors

Yung-Hsiang Chao and Jr-Shian Ke
Deloitte & Touche
20F, 100, Songren Road, Xinyi Dist., Taipei 110, Taiwan, R.O.C.
Website: www.deloitte.com.tw
Tel: (02) 2725-9988

Name of Any Exchanges Where the Company's Securities Are Traded Offshore and Information: None.

Corporate Website: www.silitech.com

Table of Contents

Letter to Shareholders

Dear Shareholders,

In 2019, Silitech has shown its transformation in three sides: First, more clear in cross-industry applications: Silitech's core technology lies in the integration of rubber, plastics and optics, and is applied to different industries and products divided into two categories: Mechanical Integration and Automotive Components. Due to the popularity of touch-controlled smartphones, demand for mobile phone keypads has been on a gradual decline in recent years. In response, Silitech has turned to cross-industry products, after these years of efforts, the Mechanical Integration cross-industry product direction has become more clear and specific and the applications include smart lock modules, netcom optical mechanism components, wearable products, and 5G related products. Second, execution of the capacity downsizing and adjustment plan in mainland China plant: To follow the direction of cross-industry product development, the Company's resources in mainland China plant has been downsized and adjusted to focus on the same direction. Third, capital reduction: The Company reduced its capital from NT$1,794 million to NT$600 million to refund cash to shareholders to adjust the capital structure and increase the return on equity. In the future, the Company is going toward its not big but positive way.

Operating Result

In 2019, the Company's consolidated revenue was NT$2.296 billion, a 2% increase from the previous year (NT$2.251 billion). The Mechanical Integration contributed a 47.8% share of the total revenue, in addition to maintaining ongoing mobile phone keypads and gaming console products, the revenue of smart lock modules, netcom optical mechanism components, and wearable products has gradually increased to make up for the decline of mobile phone keypads. The Automotive Components accounted for 52.2% share of total revenue, besides the steady profitable automotive interior components, automotive interior glass and new technologies for automotive interior components also have actively developed. Due to the impact of the trade war in the first half year, toy industry moved to Southeast Asia, and at the same time the demand for gaming products declined, so the shipment of toy products and gaming console products was not as expected, to face this environment changes, the Company executed capacity downsizing and adjustment plan in mainland China plant to focus on proactively deploy in cross-industry new areas, resulting in the gross profit drop. In the second half year, due to the benefit of execution of the capacity downsizing plan in mainland China plant, the gross margin was 15%, a 2 percentage increase from the previous year, and the operating loss of NT$85.66 million, a 44% improvement from the previous year. However, the result was net losses after tax of NT$30.50 million, a small improvement of 9.8% from the previous year, representing a loss per share of NT$0.24.

Summing investments in R&D, Silitech not only continuously evaluated possibilities of investing in new technologies, but also continued to upgrade its core technologies and actively develop components that integrate optical, mechanical and electronic elements, as well as cross-industry applications to satisfy customer demand and align with market trends. Also following the pulse of automotive industry and the transformation of manufacturing technology, Silitech invested in new manufacturing technologies for automotive components to keep the competitiveness in automotive components market. In 2019, Silitech's R&D expenditures amounted to NT$120 million, accounting for 5.2% of total revenue.

Future Outlook

The trade war started from the second half of 2018 still affected the economic environment in 2019. Manufacturers' conservative wait-and-see and weak global economic demand have made the export of major countries of the world sluggish. According to the economic analysis of the Taiwan Economic Research Institute, as the United States and China are expected to reach a preliminary trade agreement, the tension in the trade war will reduce, combined with preventive rate cuts by the United States and fiscal stimulus policies introduced by major countries, and the low base of 2019, major international forecasts institutions believe that the global economic and trade growth in 2020 will be higher than 2019, and global trade will pick up at the same time, but the two major economies, the United States and China, will be inferior to the previous year. Worldwide countries’ economy are highly connected with each other, especially after the trade war between the United States and China, the possible impact of the roles reallocation in the global supply chain will be a challenge to Taiwan’s economy. Furthermore, the impact of the novel coronavirus (2019-nCov) is unpredictable. Therefore, the overall industrial prosperity visibility in 2020 is not clear.

Looking forward to 2020, confronting such uncertainty in the macroeconomic environment, Silitech will redeploy global sales and production businesses and increase its production capacity in Taiwan and Malaysia Subsidiary, continuing its dedication to cross-industry applications. In terms of marketing and customer service, Silitech provides customers with flexible services in preliminary product design and R&D, while also improving the speed and precision of product development and product verification, in pursuit of higher market share. Meanwhile, in terms of production operations, Silitech will plan and execute advanced manufacturing (preliminary smart manufacturing), while continuing to pursue automation production system and improving production efficiency. In overall business operating, after transformed in three sides in 2019, the Company is going toward its not big but positive way. Silitech will not only maintain the ongoing mobile phone keypads and automobile components, but also grow gradually in Mechanical Integration cross-industry new areas such as smart locks module, netcom optics component, wearable device, and 5G related applications etc. On the other hand, the Automotive Components already have gotten good results in new technologies in automotive interior components. Silitech will continue its management philosophy focusing on customer experience, product quality, and technological advancement in the progress towards sustainable development. Within the Company’s corporate culture characterized by “integrity, respect, innovation, expertise, and excellence,” all employees and management team continue using the spirit of organizational learning and teamwork to improve responsiveness and product competitiveness, to focus on intensifying and extending the core technologies and skills based on developing and producing precision components, while integrating industrial trends, to offer customers design and service that bring high added value. Through synergy brought by integration of sales, research, and production, the Company will robustly promote its developmental goals in terms of income and profit growth, thereby creating common prosperity for shareholders, employees, customers, and suppliers.

Chairman: Raymond Soong

Company Profile

2.1 Date of Incorporation: 2001/10/26

2.2 Company History:

1978 – Established Silitek Rubber Corporation.

1983 – Renamed as Silitek Corporation and began to produce Auto Parts.

1990 – Tamsui Plant won the FORD Q1 Global Quality Excellence Award.

1991 – Started to produce OA products.

1993 – Started to produce mobile phone keypads and introduced the "customer-oriented" business management model.

1994 – Tamsui Plant obtained ISO-9002 Certification.

1995 – Malaysia Plant won the FORD Q1 Global Quality Excellence Award and obtained ISO-9002 Certification.

1996 – Shenzhen Xurong Plant obtained ISO-9002 Certification.

1997 – Tamsui Plant and Malaysia Plant obtained QS-9000 Certification.

1998 – Malaysia Plant obtained ISO-14001 Certification.

1999 – Won the Chrysler Best Supplier Award.
– Shenzhen Xurong Plant obtained QS-9000 Certification.

2001 – Established Silitech Technology Corporation with a paid-up capital of NT$ 1 million. Due to cash injection, the paid-up capital was increased to NT$300 million in November.

2002 – In July, due to cash reduction, the paid-up capital was decreased to NT$ 150 million.
– Accepted all assets, liabilities and operations generated by the Rubber Division of Silitek Corporation on October 1. The paid-up capital was increased to NT$ 450 million.

2003 – Due to recapitalization from earnings, employee bonus and capital surplus, the paid-in capital was increased to NT$ 780,600 thousand.
– Shenzhen Xurong Plant won the outstanding contribution unit of export processing zone in Shajing Town.

2004 – Listed on the Taiwan Stock Exchange approved by the FSC in March.
– Established Changsu Plant; established Magnesium and Aluminum BU in Tamsui Plant.
– Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 911,465 thousand.
– Won the Gold Trade Award of the Excellent Exporter of the Ministry of Economic Affairs.
– Won the BenQ and Shin-Etsu Best Supplier Award.

2005 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,135,578 thousand.
– Established Silitech Technology (Suzhou) Co., Ltd.
– Won the Arima Best Supplier Award.

2006 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,348,299,720.
– Won the Motorola and Arima Best Supplier Award.

2007 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,507,301,590.
– Won the Arima Best Supplier Award.

2008 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,713,770,160.
– Won the Samsung Quality Award.

2009 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,759,437,740.
– Won the German iF Material Award 2009.

2010 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,792,225,880.

2011 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,829,552,870. In December, the treasury shares were canceled and the paid-in capital was reduced to NT$ 1,809,552,870.

2012 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,845,642,830.

2013 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,877,057,500.

2014 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,893,838,160.

2015 – Entered the automotive glass industry and started to produce curved glass related products.

2016 – Shenzhen Xurong Plant obtained ISO-5001 Energy Management System Certification.

2018 – The treasury shares were canceled and the paid-in capital was reduced to NT$ 1,793,838,160.
– Shenzhen Xurong Plant obtained ISO-14001 Certification.
– Shenzhen Xurong Plant obtained TS16949 Certification for automotive products.
– Disposed of the land use right and factory buildings of Suzhou Plant to enhance the efficiency of assets.
– Entered the key component industry of smart home and produced related products.

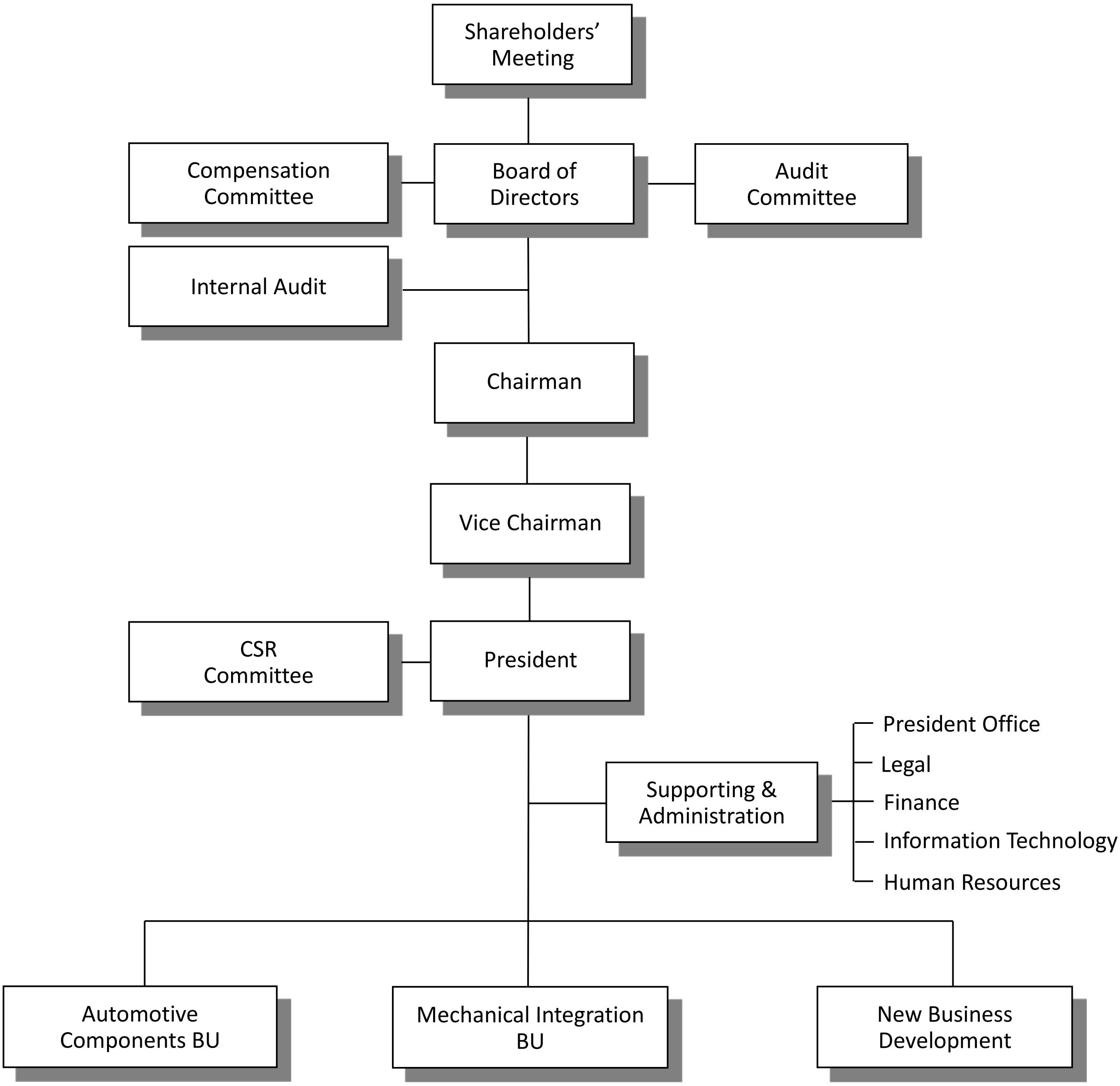
2019 – Won the Best Quality Excellence Award for Asian suppliers from the Bosch Groups.
– Capital reduction by cash refund and the paid-in capital was reduced to NT$ 600,000,000.

2020 – Board of Directors resolved the subsidiary, Xurong, to gradually reduce the production in its factory and the factory will be closed in accordance with the laws.

Corporate Governance Report

3.1 Company Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Major Department	Functions
Internal Audit	◆ Assisting the Board and the Managers in reviewing and inspecting deficiency of the internal control system and evaluating the effectiveness and efficiency of the operation. Providing suggestions for improvement to ensure that the internal control system can be implemented continuously and a basis for reviewing the internal control system.
President Office	◆ Assisting the President to supervise and manage business performance, strategic planning and achieve company operational goals.
Automotive Components BU	◆ Based in Malaysia, serving customers in the European and American automotive markets and providing a complete product line for interior decoration mechanical components and keypad components.
Mechanical Integration BU	◆ Extending the use of light, mechanics, electronics, materials and core technologies to develop optical and mechanical components. Expanding and extending the application of forward-looking industries.
New Business Development	◆ By the extension of core technologies or expansion of core channels, investing and developing high value-added product lines to expand the development in forward-looking industries and product areas.
Legal	◆ In charge of formulation, review, assistance and negotiation of various contracts. Providing legal information related to the company's operations. Coordinating the intellectual property, patents, copyrights, trademarks, business secrets and technology licenses of the Company.
Finance	◆ Providing professional financial services to assist the Company to enhance its management performance; formulating strict risk control to implement financial supervision continuously and effectively. ◆ Implementing and managing related matters regarding financial, accounting, tax, analysis and evaluation of management reports, and budgeting plans. ◆ Promulgating the Company's financial, accounting and corporate information. Handling corporate governance related matters according to the laws.
Information Technology	◆ Planning and managing computer information and other related matters of the Company.
Human Resources	◆ Planning and implementing the Company's human resources, staff communication, education and training, general affairs and other related matters.

3.2 Information On Board Directors, President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

3.2.1 Information on Board Directors

2020/4/20

Title (Note 1)	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding (Note 5)		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience (Note 3)	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 4
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relation ship	
Chairman	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Raymond Soong	Male	2018/6/12	3 years	2001/10/24	60,757,310 0	33.87% 0%	20,322,003 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Honorary PhD in Management, National Chiao Tung University Chairman & Founder of LITE-ON Group/LITE-ON Cultural Foundation Member of Board of Councilors, the Doctorate College of Technology, South California (USC) Chief Engineer, Texas Instruments Taiwan Ltd	Note 6	None	None	None	None
Vice Chairman	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Warren Chen	Male	2018/6/12	3 years	2001/10/24 2006/6/23	60,757,310 0	33.87% 0%	20,322,003 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Chemical Engineering, Chinese Culture University GCEO of LITE-ON Group and CEO of LITE-ON Technology Corp. President, LITE-ON Electronic Co. Manufacturing Super-Intendant, Texas Instrument	Note 7	None	None	None	None
Director	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Anson Chiu	Male	2018/6/12	3 years	2001/10/24 2020/3/31	60,757,310 0	33.87% 0%	20,322,003 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Industrial Management, Lunghwa University of Science and Technology Business Group President, Lite-On Technology Corp. Procurement Specialist, Crownpo Technology Inc.	Note 8	None	None	None	None
Director	R.O.C. R.O.C.	Lite-On Technology Corporation Representative King, Yung-Chou	Male	2018/6/12	3 years	2001/10/24 2007/11/16	60,757,310 0	33.87% 0%	20,322,003 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Industrial Engineering, Chung Yuan Christian University Vice President of LITE-ON Technology Corp. Planning Super-Intendant, Texas Instrument	Note 9	None	None	None	None
Independent Director	R.O.C.	C.P. Chang	Male	2018/6/12	3 years	2006/6/23	0	0%	0	0%	0	0%	0	0%	Master of Laws, National Cheng-Chi University Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance Chairman, Securities and Exchange Commission, Ministry of Finance	Note 10	None	None	None	None

Title (Note 1)	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding (Note 5)		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience （Note 3）	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 4
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relation ship	
Independent Director	R.O.C.	James Kuo	Male	2018/6/12	3 years	2003/6/27	0	0%	0	0%	0	0%	0	0%	Chemistry, National Taiwan Normal University Managing Director, Rubber BU, Asia/Pacific Area, Dow Corning Inc. Marketing Manager, Kenvex Chemical Corp.	Note 11	None	None	None	None
Independent Director	R.O.C.	Chiu, Te-Chen	Male	2018/6/12	3 years	2010/6/14	0	0%	0	0%	0	0%	0	0%	MBA, National Cheng-Chi University Vice Chairman, Taiwan Life Insurance Co., Ltd.	Note 12	None	None	None	None

Note 1: Institutional shareholders shall separately list the name and representative of the institutional shareholder.

Note 2: Fill in the date for first elected. If any interruption, please state a note.

Note 3: If has worked for certified public accountant firm or its affiliate business in the aforementioned period, please state the position and function.

Note 4: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Note 5: Cash-refunding Capital Reduction by 66.552167% on September 20, 2019.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 6: Chairman, LITE-ON Technology Corp., LITE-ON Semiconductor Corp., DIODES, INC., LITE-ON Semi (Wuxi) Ltd. and LITE-ON Semi Electronics (Wuxi) Co., Ltd.
Chairman, representative of Silitech Technology Corp., Co-tech Copper Foil Corporation and LITE-ON Electronics Co., Ltd.(HK)
Director, DYNA International Holding Co., Ltd., DYNA International Co., Ltd. and LITE-ON Semiconductor (HK) Ltd.
Director, representative of LITE-ON China Holding Co. Ltd., LITE-ON International Holding Co., Ltd.(BVI), Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corp. Sdn. Bhd., Silitech (Hong Kong) Holding Ltd. and Xurong Electronic (Shenzhen) Co., Ltd.

Note 7: Vice Chairman, LITE-ON Technology Corp.
Vice Chairman, representative of Silitech Technology Corp.
Director, representative of LITE-ON Semiconductor Corp., LITE-ON China Holding Co., Ltd., LITE-ON Electronics Co., Ltd.(HK), LITE-ON International Holding Co., Ltd.(BVI), , Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corp. Sdn. Bhd., Silitech (Hong Kong) Holding Ltd. and Xurong Electroinc (Shenzhen) Co., Ltd.
GCEO of LITE-ON Technology Corp.

Note 8: Director, representative of Silitech Technology Corp. and Dragonjet Corporation.
Business Group CEO of LITE-ON Technology Corp.

Note 9: Independent Director, Actron Technology Corp.
Director, On-Bright Electronics Incorporated.
Director, representative of Silitech Technology Corp.

Note 10: Independent Director, Silitech Technology Corp., Powerchip Technology Corp., Formosa Petrochemical Corp. and INVENTEC Corp.
Director, representative of Maxigen Biotech Inc.

Note 11: Independent Director, Silitech Technology Corp.

Note 12: Independent Director, Silitech Technology Corp. and Chicony Power Technology Co., Ltd.
Director, Elan Microelectronics Corp. and Sinbon Electronics Co., Ltd.
Director, representative of Depo Auto Parts Industrial Co., Ltd., Sharehope Medicine Co., Ltd. and Amiccom Electronics Corporation.

3.2.2 Major Shareholders of the Institutional Shareholders

2020/4/20

Institutional Shareholder (Note 1)	Shareholders & Shareholdings (Note 2)
Lite-On Technology Corporation	Ta-Rong Investment Co., Ltd.: 3.63%
	Raymond Soong: 3.37%
	Ming-Hsing Investment Co., Ltd.: 2.01%
	Ta-Sung Investment Co., Ltd. : 2.00%
	Bank of Taiwan in Custody for Silchester International Investors International Value Equity Trust: 1.70%
	Yuan Pao Development & Investment Co. Ltd.: 1.68%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds: 1.62%
	Yuanta/P-shares Taiwan Dividend Plus ETF: 1.56%
	New Labor Pension Fund: 1.51%
	Citibank Taiwan in Custody for Norges Bank Retirement Fund: 1.41%

Note 1: If the director is a representative of institutional shareholder, the name of the institutional shareholder should be filled in.

Note 2: Fill in the name of the major shareholder of the institional shareholder (the top ten shareholders) and its shareholdings. If the major shareholder is a juristic person, the following table should be added.

Note 3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

2020/4/20

Name of Institutional Shareholder (Note1)	Major Shareholders (Note2)
Ta-Rong Investment Co., Ltd.	Soong, Yan-Yi: 0.43%、Soong, Jun-Yi: 0.01%
Ming-Hsing Investment Co., Ltd.	Soong, Hui-Ling: 11.65%
Ta-Sung Investment Co., Ltd.	Soong, Yan-Yi: 21.20%
Bank of Taiwan in Custody for Silchester International Investors International Value Equity Trust	N/A
Yuan Pao Development & Investment Co. Ltd.	Soong, Yan-Yi: 21.20%
JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	N/A
Yuanta/P-shares Taiwan Dividend Plus ETF	N/A
New Labor Pension Fund	N/A
Citibank Taiwan in Custody for Norges Bank Retirement Fund	N/A

Note 1: If the major shareholder of the above table is an instiution, the name of the institution should be filled in.

Note 2: Fill in the name of the major shareholder of the institutional shareholder (the top ten shareholders) and its shareholdings.

Note 3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

3.2.4 Professional Qualifications and Independence Analysis of Directors

2020/4/20

Criteria / Name (Note 1)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the 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	11	12	
Lite-On Technology Corporation Representative Raymond Soong			✓			✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Warren Chen			✓			✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Charlie Tseng (Resigned on 2020/3/31)			✓			✓	✓						✓	✓		0
Lite-On Technology Corporation Representative Anson Chiu (Appointed on 2020/3/31)			✓			✓	✓						✓	✓		0
Lite-On Technology Corporation Representative King, Yung-Chou			✓	✓		✓	✓						✓	✓		1
C.P. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
James Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Adjust the row according to the actual needs.

Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the company or any of its affiliates.

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

3.2.5 Information on President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

2020/4/20

Title (Note 1)	Nationality	Name	Gender	Date Appointed	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience (Note 2)	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree			Note 3
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relation ship	
President	R.O.C.	James Huang	Male	2015/1/1	22,220	0.04%	2,500	0%	0	0%	Mechanical Engineering, Chien Hsin Industrial College Assistant Vice President, Silitek Corporation Rubber BU Vice President, Leader Technology Co., Ltd.	Note 4	None,	None	None	None
CFO (Chief Finance and Accounting Officer) / Corporate Governance Officer	R.O.C.	Sarah Cheng	Female	2018/4/18	0	0%	0	0%	0	0%	Accounting, TamKang University R.O.C. CPA Qualification Senior Manager, Lite-On Technology Corporation Accounting Department Chief Accounting Officer, Chien Kuo Construction Co., Ltd Assistant Manager, Deloitte & Touche	Note 5	None	None	None	None

Note 1: Include the Information on President, vice presidents, assistant vice presidents and the heads of various divisions and branches

Note 2: If has worked for certified public accountant firm or its affiliate business in the aforementioned period, please state the position and function.

Note 3: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 4: Director, representative of Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corporation Sdn. Bhd., Xurong Electronic (Shenzhen) Co., Ltd., Silitech Technology (Suzhou) Co., Ltd. and Silitech (Hong Kong) Holding Ltd. President, Xurong Electronic (Shenzhen) Co., Ltd.

Note 5: Supervisor, Xurong Electronic (Shenzhen) Co., Ltd.

3.3 Remuneration of Directors & Managers in 2019

3.3.1 Remuneration of Directors and Independent Directors

Unit: NT$ thousands; %

Title	Name	Directors Remuneration								Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 10)		Compensation Earned by a Director Who is an Employee of the Company or of the Company's Consolidated Entities								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Remuneration from Ventures Other than Subsidiaries or from the Parent Company (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employees' Compensation (G) (Note 6)						
		The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company		All Companies In Financial Statements (Note 7)		The Company	All Companies In Financial Statements (Note 7)	
																Cash	Stocks	Cash	Stock			
Juristic-person Director	Lite-On Technology Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Remark 3
Chairman	Lite-On Technology Corporation Representative Raymond Soong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Remark 3
Vice Chairman	Lite-On Technology Corporation Representative Warren Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Remark 3
Director	Lite-On Technology Corporation Representative Charlie Tseng (Resigned on 2020/3/31)	0	0	0	0	0	0	5	5	(0.02)	(0.02)	0	0	0	0	0	0	0	0	(0.02)	(0.02)	Remark 3
Director	Lite-On Technology Corporation Representative Anson Chiu (Appointed on 2020/3/31)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Remark 3
Director	Lite-On Technology Corporation Representative King, Yung-Chou	0	0	0	0	0	0	30	30	(0.10)	(0.10)	0	0	0	0	0	0	0	0	(0.10)	(0.10)	None
Independent Director	C.P. Chang	600	600	0	0	0	0	75	75	(2.21)	(2.21)	0	0	0	0	0	0	0	0	(2.21)	(2.21)	None
Independent Director	James Kuo	600	600	0	0	0	0	80	80	(2.23)	(2.23)	0	0	0	0	0	0	0	0	(2.23)	(2.23)	None
Independent Director	Chiu, Te-Chen	600	600	0	0	0	0	75	75	(2.21)	(2.21)	0	0	0	0	0	0	0	0	(2.21)	(2.21)	None

Remark:
1. Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:
   According to the Articles of Incorporation, remuneration to directors shall be duly determined by the Board of Directors with reference to the level of their participation in the business operations and the values of their contributions, as well as the level prevalent in fellow firms at home and abroad. The Company may establish a separate but reasonable set of remuneration rules for independent directors. The Company shall allocate the Directors' compensation no more than 5% from the profit before tax. In addition, the Company executes related operations according to"Rules for Evaluating Board of Directors and Functional Committee Performance" and "Procedures for Directors' Remuneration".
2. Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: 0.
3. Remuneration from ventures other than subsidiaries: none. The parent company is a listed company, please refer to the related chapter, which the parent company disclosed in accordance with regulations,for the remuneration to directors and managers from the parent company.

Note 1: Institiutional shareholders shall separately list the name and representative of the institutional shareholder.
Note 2: This table lists incumbent Directors and their respective remuneration (including director's salary, additional pay, severance pay, various rewards, incentives, etc.) in the most recent year.
Note 3: Compensation to Directors in the most recent year has been approved by the Board of Directors.
Note 4: Refers to the expenses incurred by Directors to perform relevant duties (including transportation, attendance fees, special disbursements and various allowances and etc.) in the most recent year.
Note 5: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, transportation subsidies, special allowance, various allowances and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock option, restricted new shares to employees and shares acquired from participation in cash capital increase option and so forth, received by Directors who is also an employee (including as President, vice president, managers and employees) in the most recent year.
Note 6: Compensation to Directors who is also an employee (including as President, vice president, managers and employees) and receiving employee compensation (including stock and cash) in the most recent year has been approved by the Board of Directors.
Note 7: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).
Note 8: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.
Note 9: For the remuneration paid to Directors of the Company by all companies in the consolidated statements (including the Company), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.
Note 10: After-tax net income refers to the after-tax net income of financial statement in the most recent year.
Note 11: a. Specify the amount of remuneration received by directors from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).
b. Where the Company's directors received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's directors from ventures other than subsidiaries or from the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

3.3.2 Remuneration of Supervisors: Not Applicable. (The Company has set up Audit Committee.)

3.3.3 Remuneration of President, Vice President and Managers

Unit: NT$ thousands; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C) (Note 3)</th><th colspan="4">Employee Compensation (D) (Note 4)</th><th colspan="2">Ratio of (A+B+C+D) to Net Income (%) (Note 8)</th><th rowspan="3">Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Companies In Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies In Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies In Financial Statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All Companies In Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All Companies In Financial Statements (Note 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>James Huang</td><td rowspan="3">7,378</td><td rowspan="3">7,378</td><td rowspan="3">399</td><td rowspan="3">399</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">(25.51)</td><td rowspan="3">(25.51)</td><td>None</td></tr>
<tr><td>Assistant Vice President (Note 10)</td><td>Kevin Yeh</td><td>None</td></tr>
<tr><td>CFO (Chief Finance and Accounting Officer) / Corporate Governance Officer</td><td>Sarah Cheng</td><td>None</td></tr>
</table>

Compensation Range Table

<table>
<tr><th rowspan="2">Range of Compensation to President, Vice Presidents and Mangers Ranked the Top Five Managerial Officers</th><th colspan="2">President, Vice Presidents and the Top Five Managerial Officers</th></tr>
<tr><th>The Company</th><th>All Companies In Financial Statements (Note 7)</th></tr>
<tr><td>NT$0 ~ NT$999,999</td><td></td><td></td></tr>
<tr><td>NT$1,000,000 ~ NT$1,999,999</td><td></td><td></td></tr>
<tr><td>NT$2,000,000 ~ NT$3,499,999</td><td>James Huang, Kevin Yeh, Sarah Cheng</td><td>James Huang, Kevin Yeh, Sarah Cheng</td></tr>
<tr><td>NT$3,500,000 ~ NT$4,999,999</td><td></td><td></td></tr>
<tr><td>Over NT$5,000,000</td><td></td><td></td></tr>
<tr><td>Total</td><td>NT$7,777 thousand</td><td>NT$7,777 thousand</td></tr>
</table>

*Discloses president, vice president and the top five managerial officers (“managers”): managerial officers with the top five highest remuneration amounts refers to managers at the Company, in which the standard for determining managers is the applicable scope set forth in the letter No. 0920001301 of SFC on March 27, 2003. The top five highest remuneration amounts are determined based on the sum of salaries, severance pay and pensions, bonuses and allowances, and employee compensation received by a managerial officer from all companies in the consolidated financial statements (i.e., A+B+C+D). The number of managers of the Company is below five, so all mangers of the Company are disclosed.

Note 1: President, vice presidents and mangers shall list the name respectively.

Note 2: Includes salary, additional pay and severance pay of president, vice presidents and mangers in the most recent year.

Note 3: Refers to various bonuses, incentives, company car rental fees, vehicle subsidies, special allowance and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock options, restricted new shares to employees and shares acquired from participation in cash capital increase options and so forth, received by president, vice presidents and mangers in the most recent year.

Note 4: Refers to employees’ compensation (including stock and cash) approved by the Board of Directors for distribution to president, vice presidents and mangers.

Note 5: Discloses the total payment to president, vice presidents and mangers from all companies in the consolidated statements (including the Company).

Note 6: For the remuneration the Company has paid, names of president, vice presidents and mangers shall be disclosed in their corresponding range within the remuneration scale.
Note 7: For the remuneration paid to president, vice presidents and mangers by all investees (including the Company), names of president, vice presidents and managers shall be disclosed in their corresponding range within the remuneration scale.
Note 8: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.
Note 9: a. Specify the amount of remuneration received by the president, vice presidents and managers from ventures other than subsidiaries or from the parent company in this field (Please fill in "None" if none).
b. Where the Company's president, vice presidents and managers received relevant remuneration from ventures other than subsidiaries or from the parent company, the remuneration received by the Company's president and vice president from ventures other than subsidiaries or from the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."
c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president, vice presidents or managers serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.
Note 10: Discharged of manager on 2019/10/31, the period for remuneration is from January to October of 2019.
*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

3.3.4 Distribution of Employees' Compensation to Managers

2020/4/20
Unit: NT$ thousands; %

	Title (Note 1)	Name (Note 1)	Cash	Stock	Total	Ratio of Total Amount to Net Income (%)
Managers	President	James Huang	0	0	0	0
	CFO (Chief Finance and Accounting Officer) / Corporate Governance Officer	Sarah Cheng				

Note 1: The Company's Board of Directors on February 24, 2020 resolved no compensation distributed to employees.
Note 2: This Table lists managers in active duty as of the end of 2019 and their summarized 2019 employees' compensation for managers approved by the Board of Directors.
Note 3: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.
Note 4: In accordance with the letter No. 0920001301 of SFC on March 27, 2003, the scope of Managers includes:
(1) President and equivalent
(2) Vice President and equivalent
(3) Assistant Vice President and equivalent
(4) Chief Finance Officer
(5) Chief Accounting Officer
(6) Other persons who manage the company and sign for the company
Note 5: If the directors, president and vice president have received employees' compensation (including stock and cash), please fill in this form in addition to the attached table.

3.3.5 Analysis of the ratio of total remunerations for Directors, President and vice presidents to Net Income (Loss) in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

- **Analysis of the ratio of total remunerations for Directors, President and vice presidents to Net Income (Loss) in the last two years:**

	Ratio of Total Amount to Net Income (Loss) (%)			
	2018		2019	
	The Company	All Companies In Financial Statements	The Company	All Companies In Financial Statements
Directors	(6.02%)	(6.02%)	(6.77%)	(6.77%)
President & Vice Presidents	(8.80%)	(8.80%)	(9.77%)	(9.77%)

- **Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risk:**

1. Policy, standards and packages of remunerations
   In addition to the distribution ratios in accordance with Article 15 of the Articles of Incorporation, the Board of Directors will resolve the director's remunerations by considering the value of the director's participation and contribution to the Company's operations, and also referring to the domestic and international industry standards. Remuneration policy toward Managers is formulated based on the Articles of Incorporation, prevailing market salary level, the scope of duties within the company and contribution to the company's operating objectives.
2. Procedure for making remuneration decision
   In accordance with the Articles of Incorporation, after the Company reserved a sufficient amount from profit to offset its accumulated losses, the Company shall allocate the Directors' compensation no more than 5% from the profit (before tax) of each fiscal year and it shall only be distributed by cash.
   Remuneration to President and Vice President is handled in accordance with the Company's Regulations for Remuneration Management approved by the board of directors.
3. Relation to business performance and future risk
   The reasonable remuneration to the Directors, President and Vice President is accordance with "Rules for Evaluating Board of Directors and Functional Committee Performance" and "Regulations for Remuneration Management", reference to the domestic and international industry standards, the extent of the Company's overall operational participation, contribution value and future risks.

3.4 Implementation of Corporate Governance

3.4.1 Operation of Board of Directors:

- **The Board of Directors totally held 9 (A) meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Directors are as follows:**

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%)【B/A】	Remarks
Chairman	Lite-On Technology Corporation Representative Raymond Soong	7	2	78	None
Vice Chairman	Lite-On Technology Corporation Representative Warren Chen	9	0	100	None
Director	Lite-On Technology Corporation Representative Charlie Tseng	1	5	14	Resigned on 2020/3/31
Director	Lite-On Technology Corporation Representative Anson Chiu	2	0	100	Appointed on 2020/3/31
Director	Lite-On Technology Corporation Representative King, Yung-Chou	8	0	89	None
Independent Director	C.P. Chang	9	0	100	None
Independent Director	James Kuo	9	0	100	None
Independent Director	Chiu, Te-Chen	9	0	100	None

Other details that need to be recorded in meeting minutes:

1. In the event of the occurrence of any of the following scenarios with the operation of the Board of Directors, the dates of meetings, session number, resolution, opinions of all Independent Directors and the Company's subsequent action in response to these opinions shall be clearly stated:
   (1) Matters and items stipulated in Article 14-3 of the Securities and Exchange Act: The Company has set up the Audit Committee; please refer to "Operation of the Audit Committee".
   (2) In addition to the foregoing, there were other matters to be resolved by directors' board meetings about which an independent director expressed objections or reservations that had been included in records or stated in writing: No such situation.
2. Director recusals due to conflicts of interests totaled: 2 times.
   (1) 7^{th} Term 6^{th} Meeting: Discussion of signing the Tender Offer Agreement with Lite-On Technology Corporation to sell all Lite-On Japan Ltd. shares that the Company owns. Due to interest relation, the representatives of Lite-On Technology Corp. Mr. Raymond Soong, Mr. Warren Chen, Mr. Charlie Tseng and Mr. King, Yung-Chou recused in the discussion and did not participate in discussion and voting. After the acting chairman consulted the opinions of the other directors, all independent directors approved the proposal unanimously.
   (2) 7^{th} Term 12^{th} Meeting: Discussion of release of current directors from additional non-competition restrictions. Due to interest relation, Mr. Anson Chiu and Mr. Chiu, Te-Chen recused in the discussion and did not participate in discussion and voting. All other directors approved the proposal unanimously.
3. Evaluation of achievement of enhancing the Board's performance (e.g. establishing an Audit Committee and increasing information transparency):
   (1) The Company has formulated the "Regulation and Procedure for Board of Directors Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings

of Public Companies" to comply with the requirements. The company discloses attendance records for directors on Market Observation Post System and the major resolutions of the Board of Directors on the Company website. (2) The Company has set up the Audit Committee with the main duties in accordance with Article 14-5 of the Securities Exchange Act. The Audit Committee also reviews the first quarter and third quarter financial statements to implement the transparency of information disclosure. (3) The Company also appoints independent directors as members of the Compensation Committee. The main responsibilities are to evaluate the remuneration policies and systems of the directors and managers in a professional and objective position and make recommendations to the Board of Directors for decision-making. (4) The Company has formulated the "Rules for Evaluating Board of Directors and Functional Committee Performance" and conducted regular performance evaluations every year since 2018.

- **The Execution Status of Board of Directors Evaluation**

Cycle of Evaluation	Period of Evaluation	Scope of Evaluation	Method of Evaluation	Indexes and Scoring Criteria
Once every year	2019/1/1~ 2019/12/31	The Board of Directors, Audit Committe, Committe, Compensation Committee and individual directors.	1. Internal evaluation of the Board of Directors, Audit Committee and Compensation Committee. 2. Self-evaluation by individual board members.	1. Evaluating the performance of Board of Directors should cover the following aspects: - Participation in the operation of the Company. - Improvement of the quality of the Board of Directors' decision making. - Composition and structure of the Board of Directors. - Election and continuing education of the directors. - Internal control. 2. Evaluating the performance of functional committees should cover the following aspects: - Participation in the operation of the Company. - Awareness of the duties of the functional committee. - Improvement of quality of decisions made by the functional committee. - Makeup of the functional committee and election of its members. - Internal control. 3. Evaluating the performance of individual directors should cover the following aspects: - Familiarity with the goals and missions of the company. - Awareness of the duties of a director.

				- Participation in the operation of the Company. - Management of internal relationship and communication. - The director's professionalism and continuing education. - Internal control.

3.4.2 Operation of the Audit Committee:

- **The Audit Committee totally held 9 (A) meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Independent Director are as follows:**

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) 【B/A】	Remarks
Independent Director	C.P. Chang	9	0	100	None
Independent Director	James Kuo	9	0	100	None
Independent Director	Chiu, Te-Chen	9	0	100	None

Other matters that need to be recorded in meeting minutes:

1. If any of the following circumstances occurs during the operation of the Audit Committee, the Board meeting date, meeting number, the proposal contents, the resolution of the Audit Committee and our company's handling of the Audit Committee's opinions shall be clearly described.

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

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7th Term 4th Meeting 2019.02.25	1. Approval for the Company's 2018 declaration of internal control system. 2. Approval for employees and directors compensation for 2018. 3. Approval for the Company's 2018 business report. 4. Approval for the 2018 consolidated financial statements and financial statements. 5. Approval for appropriation of 2018 Earnings. 6. Approval for capital reduction. 7. Amendment to "Articles of Incorporation". 8. Amendment to "Procedures for the Acquisition and Disposal of Assets". 9. Amendment to "Procedure of Signature Authorities".	V V V V V V V V V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7th Term 5th Meeting 2019.04.25	1. Approval for the first quarter of 2019 consolidated financial statements. 2. To dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. 3. Amendment to "Internal Control System Procedure for Stock Affairs Unit". 4. Amendment to "Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees".	V V V V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7th Term 6th Meeting 2019.06.03	1. Approval for signing the Tender Offer Agreement with Lite-On Technology Corporation to sell all Lite-On Japan Ltd. shares that the Company owns.	V		
7th Term 7th Meeting 2019.07.25	1. Approval for the second quarter of 2018 consolidated financial statements. 2. Approval for no appropriation of 2019 2Q earnings. 3. To set up the record date of capital reduction.	V V V		
7th Term 8th Meeting 2019.08.23	1. To set up the record date of share replacement and the plan for replacement of share certificates for the capital reduction.	V		
7th Term 9th Meeting 2019.10.30	1. Approval for 2020 annual audit plan. 2. Approval for the third quarter of 2019 consolidated financial statements. 3. Approval for no appropriation of 2019 3Q earnings. 4. Assessment of independence and suitability of the certified public accountants.	V V V V		
7th Term 10th Meeting 2020.02.24	1. Approval for the Company's 2019 declaration of internal control system. 2. Approval for employees and directors compensation for 2019. 3. Approval for the Company's 2019 business report. 4. Approval for the 2019 consolidated financial statements and financial statements. 5. Approval for appropriation of 2019 Earnings. 6. Amendment to "Articles of Incorporation".	V V V V V V		

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7th Term 11th Meeting 2020.04.09	1. Approval for the Company's subsidiary, Xurong Electronic (ShenZhen) Co., Ltd. , which manufactures the mechanical integration components, will gradually reduce the production in its factory, after the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country.	V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7th Term 12th Meeting 2020.04.24	1. Approval for the first quarter of 2020 consolidated financial statements. 2. Resolution not to offset loss of 2020 1Q. 3. To dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited. 4. Amendment to "Internal Control System Procedure for Stock Affairs Unit". 5. Amendment to "Audit Committee Organizational Rules".	V V V V V		

(2) Except for the foregoing items, the items that were not approved by the Audit Committee but were resolved by more than two-thirds of all directors: No such situation.

(3) Main function of the Audit Committee

A. According to Article 3 of "Audit Committee Organizational Rules", the main function of the Audit Committee is to supervise the following matters:

a. Fair presentation of the financial reports of the Company.
b. The appointment (and dismissal), independence, and performance of certificated public accountants of the Company.
c. The effective implementation of the internal control system of the Company.
d. Compliance with relevant laws and regulations by the Company.
e. Management of the existing or potential risks of the Company.

B. The Audit Committee totally held 9 meetings in the most recent year (up to the date of publication of the annual report), the main review proposals are as follows.

a. Review of financial statements and accounting policy
- Submit of Audit Committee's Review Report on 2020.02.24: The Board of Directors has prepared and submitted to Audit Committee, the 2019 Business Report, Financial Statements and the proposal of distribution of earnings. The Financial Statements have been duly audited by Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal of distribution of earnings have been examined and determined to be correct by the undersigned.
- Review the quarterly financial statements.

b. Internal control system and procedures

- Review of the declaration of internal control system.
- Review of annual audit plan.
- Review of amendment to “Internal Control System Procedure for Stock Affairs Unit”.
- Review of amendment to “Articles of Incorporation”.
- Review of amendment to “Procedures for the Acquisition and Disposal of Assets”.
- Review of amendment to “Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees”.

c. Major transactions of assets and derivatives
- Review of the proposal to dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. on 2019.04.25.
- Review of the proposal of the Company's subsidiary, Xurong Electronic (ShenZhen) Co., Ltd. , which manufactures the mechanical integration components, will gradually reduce the production in its factory, after the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country on 2020.04.09.
- Review of the proposal to dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited on 2020.04.24.

d. Offering or issuance of securities.
- Review of capital reduction on 2019.02.25.
- Review of the record date of capital reduction on 2019.07.25.
- Review of the record date of share replacement and the plan for replacement of share certificates for the capital reduction on 2019.08.23.

e. Assessment of independence and suitability of the certified public accountants.
- Review of independence: Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke and their audit team are in compliance with Article 10 of The Norm of Professional Ethics for Certified Public Accountant of R.O.C. and the accountant relevant laws.
- Review of suitability: In addition to many years of auditing services, the two CPAs are familiar with the technology industry and understand the industry trends and are responsible for the certifying services of a number of TWSE/TPEx listed companies.
- Review of appointment of Deloitte Touche as the Certified Accountants of the Company on 2019.10.30.

f. Audit Committee performance evaluation
- Audit Committee completed the 2019 performance self-evaluation survey in January 2020 and reported the results on 2020.02.24.

2. Independent Director recusals due to conflicts of interests totaled: No such situation.

3. Communication between independent directors, the chief internal auditor and CPAs (which should include major events, methods, results, etc. as regards the Company's financial and business conditions):

(1) Communication matters between independent directors, chief internal auditor and CPAs:

A. Chief internal auditor shall report to the Audit Committee regarding the formulation and amendments of internal control system.

B. Chief internal auditor shall report to the Audit Committee regarding the implementation and results of the annual self-inspection.
C. Chief internal auditor shall report to the Audit Committee regarding annual audit plan and execution results.
D. Chief internal auditor shall report to the Audit Committee regarding the findings of each audit operation and the follow-ups to the improvement.
E. Chief internal auditor shall provide to the Audit Committee regarding the formulation and amendments of relevant regulations.
F. Chief internal auditor shall report on the implementation and results of the audit project assigned by the Audit Committee.
G. CPAs will report on the results of the quarterly or annual financial reports and the legislation or changes of the relevant laws and regulations in the quarterly audit committee meeting.

(2) Communication between independent directors and the chief internal auditor in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2019.02.25	1. Internal audit report of the fourth quarter of 2018 2. 2018 declaration of internal control system
2019.04.25	Internal audit report of the first quarter of 2019
2019.07.25	Internal audit report of the second quarter of 2019
2019.10.30	1. Internal audit report of the third quarter of 2019 2. 2020 annual audit plan
2019.01.01~ 2019.12.31	During 2019, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 12 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.
2020.02.24	1. Internal audit report of the fourth quarter of 2019 2. 2019 declaration of internal control system
2020.04.24	Internal audit report of the first quarter of 2020
2020.01.01~ 2020.04.30	During Jan. to Apr. in 2020, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 4 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.

(3) Communication between independent directors and CPAs in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2019.02.25	The audit results of the consolidated financial statements and financial statements for 2018 and the legislation or changes of the relevant laws and regulations
2019.04.25	The review results of the consolidated financial statements for the first quarter of 2019 and the legislation or changes of the relevant laws and regulations

2019.07.25	The review results of the consolidated financial statements for the second quarter of 2019 and the legislation or changes of the relevant laws and regulations
2019.10.30	1. The review results of the consolidated financial statements for the third quarter of 2019, key audit matters and the legislation or changes of the relevant laws and regulations 2. Evaluation of the CPAs' independence and suitability
2020.02.24	The audit results of the consolidated financial statements and financial statements for 2019 and the legislation or changes of the relevant laws and regulations
2020.04.24	The review results of the consolidated financial statements for the first quarter of 2020 and the legislation or changes of the relevant laws and regulations

- **Participation in board meetings by the supervisors:** Not applicable, the Company has set up the Audit Committee.

3.4.3 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
1. Has the company set and disclosed the principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	V		The Company has formulated "Corporate Governance Best Practice Principles" according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclosed them on the Company's website.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
2. Shareholding Structure & Shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	 V V V V		(1) The Company has established the Internal Control System Procedures for Stock Affairs Unit and a spokesperson system. Spokespersons, acting spokespersons, and stock affairs and legal affairs units are in charge of matters related to shareholders' advice. (2) The Company is able to track shareholding by directors, managers and principal shareholders who hold 10% or more of the company's shares. The Company also files the information with the authority as required. (3) The Company has established a management system in accordance with relevant laws and regulations in order to properly control the risks in the relationships between the Company and its affiliated corporations and developed adequate firewalls. (4) The Company has established the Procedure for Handling Major Internal Information, which has been passed by the Board of Directors, in order to prevent inside trading.	 (1)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? (3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basiss, reported the results of performance to the Board of Directors and use the results as reference for directors' remuneration and renewal? (4) Does the Company regularly evaluate its external auditors' independence?	V V V	 V	(1) The Company has formulated "Corporate Governance Best Practice Principles" on Apr. 27, 2017, the third chapter, Strengthening Board Competencies, specifies the policy of board diversity. The nomination and election of members of the board of directors are in accordance with the Articles of Incorporation, adopting the candidate nomination system. Evaluating the qualifications of each candidate's education background and experience pursuant to the "Rules Governing the Election of Directors" and "Corporate Governance Best Practice Principles" to ensure the directors' diversity and independence. The members of the board of directors should generally possess the knowledge, skills and experience necessary to perform their duties. In order to achieve the ideal goals of corporate governance, the board of directors should have the following capabilities: A. Ability to make sound business judgments. B. Ability to perform accounting and financial analysis. C. Ability to manage a business. D. Ability to handle crisis management. E. Knowledge of the industry. F. International market perspective. G. Leadership ability. H. Decision-making ability.	(1) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (2) Under evaluation. (3)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			The implementation status of current directors: Mr. Raymond Soong, Mr. Warren Chen, Mr. Anson Chiu and Mr. King, Yung-Chou are experts in leadership, business judgment, business management, crisis management, and have industry knowledge and international market perspective; Mr. C.P. Chang specializes in legal and financial fields; Mr. James Kuo has extensive experience in the industry; Mr. Chiu, Te-Chen is good at industry analysis and business management. The directors of the Company have diverse professional background, practical experience, skills and literacy. The current board of directors is composed of seven directors, including four directors and three independent directors. None of the directors is employee; independent directors account for 43%; three directors are over 71 years old, and two directors are between 61 and 70 years old, 2 directors are under 60 years old. (2) The Company has established the Audit Committee and the Compensation Committee. (3) The Company has established the Rules for Evaluating Board of Director and Functional Committee Performance, based on which the Company conducts regular annual performance evaluations. The evaluation methods include the board's self-evaluation, board members' self-evaluation, the Functional Committee's self-evaluation. External professional institutions	

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			or teams of experts and scholars are hired to perform evaluation every three years. When electing or nominating members of the board of directors, the Company shall use the evaluation results of the performance as reference. The evaluation results shall also be reference for an individual director's remuneration.The most recent evalation has been completed in Jan. 2020 and reported in the board meeting, which was held on Feb. 24, 2020. (4) The Audit Committee of the Company conducts regular annual assessments on the independence and suitability of the certified auditors and requires the certified auditors to provide a Statement of Independence. The Company has confirmed that the auditors and the Company have no relations in terms of financial interest or business operation other than the fees for processing certifications and financial taxation cases; nor do the families of the auditors violate the requirement of independence. The Board of Directors has completed assessments of the auditors’ independence; the most recent assessment was completed on October 30, 2019.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’	V		(1) The Company established a part-time corporate governance unit to be in charge of corporate governance affairs. On April 25, 2019, by board resolution, CFO Sarah Cheng was appointed as the Corporate Governance Officer to safeguard the rights and interests of shareholders and	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings, etc.)?			strengthen the functions of the board of directors. CFO Sarah Cheng obtained certificate of CPA of the ROC, and has many-year experiences in conducting financial management in listed companies. The primary responsibilities of the Corporate Governance Officer are as follows: A. Handling matters related to board and shareholders' meetings in accordance with the law. B. Preparing the minutes of board and shareholders' meetings. C. Assisting directors in their appointment and continuing education. D. Providing data required by the directors for business execution. E. Assisting directors in complying with the law. F. Other matters set forth in the articles of association or the contract of the Company. (2) 2019 business implementation status: A. Invited suggestions from directors prior to a board meeting to facilitate preparation of the meeting agenda; and giving a minimum of 7-day notice to all directors to attend a meeting and providing sufficient materials for the directors to familiarize themselves with the items. The minutes of the board meeting will be produced after the meeting. Held 6 board meetings, 6 Audit Committee meetings, and 3 Compensation Committee meetings in 2019.	

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			B. Registered shareholders' meeting date within the period stipulated by law, assisted in running the meeting, and filing with the authority the shareholders' meeting notice, agenda, and minutes by the statutory deadline every year. C. Inspected the disclosure of material information passed after a board meeting or shareholders meeting in order to ensure the legality and accuracy of said material information and protect parity of investor information. D. Kept members of the board informed of latest changes and developments in laws and regulations regarding corporate governance and management to facilitate director compliance. E. Assisted directors in creating study plans or enrolling in courses based on the characteristics of the company's business activities and the education and experience of respective directors. F. Arranged communication between independent directors and Chief Audit Officer/Certified Public Accountants during Audit Committee meetings. G. Executed and completed the performance evaluation for the 2019 board of directors. The results have be reported at the board meeting in the first quarter of 2020.	

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established its spokesperson and Stock Affairs Office. Stakeholders communication channels have been established via the Company's website, telephone, and fax.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?		V	The Company has established a Stock Affairs Unit in charge of the businesses of its shareholders, thus ensuring that Shareholder Meetings are always convened under the conditions of legality, effectiveness and safety.	Under Evaluation.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	 V V V		(1) The Company has disclosed the latest information regarding its products, finance, and human resources on its website. (2) Dedicated personnel are in charge of collecting and disclosing such information in both Chinese and English versions for the reference of shareholders and stakeholders. Furthermore, the Company implements and complies with the Spokesperson System which has been established. (3) The Company announces and reports the annual financial statements within two months after the end of the fiscal year, the first, second, and third quarter financial statements half month earlier before the prescribed deadline as well as the operating status of each month on 6^{th} ~ 8^{th} next month.	(1)~(3) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Each employee has a copy of the Employee Handbook, which clearly specifies the rights and obligations of and Code of Conduct for employees. (2) The Company attaches importance to employee care. Apart from arranging regular interviews with supervisors regarding career planning, the Company has also established channels for employee complaint (including the Sexual Assault Prevention Hotline and relevant regulations). (3) The Company has established an Investor Relations Department, in which designated customer service officers communicate with investors at any time; the Company's website is also available for stakeholders' reference. (4) The Company has been collaborating with major clients and suppliers for years and has formed strategic partnerships, in which the Company and business partners facilitate reciprocal developments under the protection of sound contracts and regulations, thus maintaining a close relationship in pursuit of common prosperity. (5) The Company attaches great importance to its relationship with stakeholders based on common interests, and steadfastly observes its duties to	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			create prosperity. (6) All directors have professional backgrounds and practical experience in the industry and receive advanced trainings according to their individual professional requirements (please refer to Section 3.4.14 for details on Advanced Training Courses for Directors). The Company not only regularly reports the amendments to relevant laws and regulations to the Audit Committee and the Board of Directors, but also provides information regarding relevant laws and regulations when deemed necessary. (7) The Company has established internal policies and management regulations in accordance with the law, and implements various risk management and regular self-assessments. (8) "Customers first" is the established policy of the Company, through which it has gained customers' trust and recognition. The Company also closely follows payment and credit statuses to protect its rights. (9) The Company has purchased Directors and Officers Liability Insurance, and reported it to the Board of Directors after the policies became effective.	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved.
The Company will continue considering the possible measures to enhance the results of the Corporate Governance Evaluation.</td></tr>
</table>

Note: The Company shall provide explanations regardless of whether Implementation Status ticked "Yes" or "No."

3.4.4. Duties, Composition and Operation of the Compensation Committee:

- **Duties of the Compensation Committee**

The Compensation Committee was established in 2011 to strengthen corporate governance. The functions of the Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors and managers and submit recommendations to the board of directors for its reference in decision making. The scope of duties includes:

1. Periodically reviewing the Compensation Committee Organizational Rules and making recommendations for amendments.
2. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the director and managers, and disclose the contents of the performance assessment standards in the annual report.
3. Periodically assessing the degree to which performance goals for the directors and managers have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

1. Ensuring that the compensation arrangements comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
2. Performance assessments and compensation levels of directors and managers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
3. There shall be no incentive for the directors or managers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
4. For directors and top management, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of thd Comany's business.
5. Reasonableness shall be taken into account when the contents and amounts of the compensation of the directors and managers are set. It is not advisable for decisions on the compensation of the directors and managers to run contrary to financial performance to a material extent. It is not advisable for said compensation to be higher than that in the preceding year in the event of a material decline in profits or of long-term losses. If it is still higher than that in the preceding year, the reasonableness shall be explained in the annual report and reported at a shareholders' meeting.
6. When a meeting of the Compensation Committee will discuss the remuneration of any member of the Compensation Committee, it will be clearly stated at the meeting. If there is likely to be any prejudice to the interests of the Company, that member may not participate in the discussion or voting and shall enter recusal during the discussion and voting. The member also may not act as another Compensation Committee member's proxy to exercise voting rights on that matter.

◆ **Information of the members of the Compensation Committee**

Identity (Note 1)	Criteria / Name	Meet one of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Member Concurrently Serving as a Compensation Committee Member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the 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	C.P. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	James Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None

Note 1: Please fill in as a director, independent director or others.

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other

company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been a person of any conditions defined in Article 30 of the Company Act.

- **Information on Operation of the Compensation Committee**
  1. The Company's Compensation Committee is comprised of three members.
  2. Term for the current committee members: From June 12, 2018 to June 11, 2021. The Compensation Committee met three times in 2019 and the job titles and attendance records of the committee members are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) (B/A)	Remarks
Convener	Chiu, Te-Chen	3	0	100	None
Member	C.P. Chang	3	0	100	None
Member	James Kuo	3	0	100	None

Other matters that need to be recorded in meeting minutes:

1. The matters for discussion and resolution by the Compensation Committee and the Company's handling of the opinions of the members of the Compensation Committee:

Compensation Committee	Proposals	Resolution of Compensation Committee	Company's Handling of Compensation Committee Member's Opinion
4th Term 3rd Meeting 2019.02.25	1. The allocation rate of employees and directors compensation for 2019.	Proposal passed by the Compensation Committee.	Directors approved the proposal unanimously.
4th Term 4th Meeting 2019.07.25	1. Amendment to "Procedures for Appointment or Discharge and Compensation of Manager". 2. President proposed to reduce his salary.	1. Proposal passed by the Compensation Committee. 2. The Compensation Committee resolved to keep the same salary.	Directors approved the proposal unanimously.
4th Term 5th Meeting 2019.10.30	1. Discharge of Manager.	Proposal passed by the Compensation Committee.	Directors approved the proposal unanimously.

2. The items that were not approved by the Compensation Committee but were resolved by the Board of Directors: No such situation.
3. Decisions made by the Compensation Committee for which certain committee members were against or reservations that were recorded or expressed via written statements: No such situation.

3.4.5 Fulfillment of CSR and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy? (Note 3)	V		The Company follows materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation to establish risk management related policy or strategy. Beseides complying with the Responsible Business Alliance (RBA) Code of Conduct and CSR, the Company has established Corporate Social Responsibility Best Practice Principles, Corporate Ethic Guidelines, Corporate Governance Practice Principles and Principles for Ethical Corporate Management.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
2. Has the Company established a dedicated or non-dedicated department for fulfilling CSR, with the Board of Directors authorizing high-ranking managers to handle such efforts and report the relevant progress to the Board of Directors?	V		The Company has established Corporate Social Responsibility Committee (CSR Committee), thereby fundamentally realizing CSR. Our CSR business is operated by senior managers with the authorization from the Board of Directors, and its progress is reported to the Board of Directors on an irregular basis.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.
3. Environmental Topic (1) Has the Company set an environmental management system designed to industry characteristics? (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related	 V V V		(1) In accordance with relevant laws and the characteristics of the products, the Company has established an environmental management system, and has updated the system in accordance with the amendments to the law. The factories of the Company have been awarded certificates, including the ISO 14001 Environmental Management Systems and the	(1)~(4) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
topics? (4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		ISO 50001 Energy Management. Their operations are also subject to the ISO-14064 Greenhouse Gas Emission Regulations and the Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS). (2) The Company is committed to improving the efficiency of the various resources and to use recycled materials that have a low impact on the environment. The green design concept has been incorporated into the research and development of products. For instance, eco-friendly materials, as well as manufacturing processes without environmental impact, have been introduced. The Company's green design principle and HSF policy ensures that the raw materials and products manufactured by the company can meet the EU's Hazardous Substance Free standards. The Company has obtained the IECQQC080000 certification, which represents the successful establishment of the "Hazardous Substance Process Management System". (3) The Company pays attention to the impacts of climate change on its operations: it implements inspections on GHGs emissions, verification by external agencies, and established energy conservation, carbon reduction, and greenhouse gas reduction strategies. The Company enforces its energy-saving and	

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
			carbon-reducing policies in its operational activities. Relevant measures include refraining from using paper cups, exercising resources recycling and classification, switching off equipment when not in use, switching off lights during midday breaks, switching off computers after working hours, using water resources efficiently, setting up an electronic verification system, reducing the use of printed forms and documents and encouraging double-sided printing. Besides managing the impacts of climate change on its operations, the Company also requires and assists suppliers to follow up on this matter. (4) The South China factory affiliated to the Company has conducted self-examination since 2016. Carbon emissions were 10,970 tons in 2016, and then it has been decreasing year by year. The estimated carbon emissions in 2020 are 9,567 tons. The waste water discharged is also formulated and reached reduction targets in accordance with the laws and regulations of the location of the factory, environmental requirements, international standards and the characteristics of our products.	

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
4. Social Topic (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation? (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training? (4) Has the Company established effective career development training plans? (5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures? (6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V V V V V V		(1) The Company has formulated and implements relevant management policies and procedures in accordance with relevant local laws and regulations and international human rights bills (including the UN Universal Declaration of Human Rights, the International Labor Office's Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises, and the Responsible Business Alliance Code of Conduct), thus offering a comprehensive protection of employees' legitimate rights and interests. (2) The Company has formulated a reasonable salary compensation policy. It has established the Compensation Committee, and stipulated in Article 15 of its Articles of Incorporation that no less than 10% of the Company's annual profit should be allocated for employees' remuneration. (3) The Company is committed to providing a safe and healthy work environment for employees: A. Annual health checkups as well as one-on-one conversations between contracted doctors and employees are arranged, thus providing employees with knowledge on how to preserve and protect their own health. B. The Company has also formulated implementation rules for industrial safety and principles for safe and healthy	(1)~(6) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
			operations. In addition to labor safety matters irregularly discussed by the Labor Safety and Health Committee, the Company also implements safety and health trainings based in our production locations, which focus on improving employee quality and raising employees' awareness of environmental safety and health, in order to enhance environmental and occupational health and safety management. (4) To develop an effective career development plan for employees, the Company has established comprehensive talent development programs and offers internal and external training lectures. (5) The Company's product and service comply with the Responsible Business Alliance Code of Conduct for customers' health and safety, privacy, sales, and labelling. The Company has established consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service. Protecting customer rights is a consistent policy of the Company. In addition, the Company's official website not only provides product descriptions, but also its contact details. (6) The Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right. Each year, a supplier evaluation meeting is held	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanations (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>to conduct a comprehensive review of the suppliers and evaluate their product quality, product delivery, production cost, response, technology support and service, and CSR. The Company commits that the proportion of its A and B-ranking suppliers is more than 95%.
In recent two years, the result of suppliers' QDCRT(quality, delivery, cost, response, technology support) rating is as follows:
<table>
<tr><th>Supplier Ranking
(# of Suppliers)</th><th>A</th><th>B</th><th>C</th><th>D</th></tr>
<tr><td>Year 2018</td><td>43</td><td>27</td><td>3</td><td>1</td></tr>
<tr><td>Year 2019</td><td>23</td><td>26</td><td>0</td><td>0</td></tr>
</table></td><td></td></tr>
<tr><td>5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?</td><td>V</td><td></td><td>The Company refers to "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" to establish the Corporate Social Responibility Report to disclose non-financial information of the Company. This report is disclosed on the Company's websites.</td><td>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">6. If the Company has established CSR principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe differences between the principles and their implementation:
The Company has formulated the Corporate Social Responsibility Best Practice Principles. It has also established the Social Responsibility Management Handbook and other relevant regulations in line with the spirit of CSR, and comprehensively implements them in daily operations.</td></tr>
<tr><td colspan="5">7. Other key information useful for explaining the status of CSR practices:
(1) Regarding environmental protection, the Company complies with the established Environmental Management System whenever performing business activities and manufacturing products, thus sparing no effort to protect the Earth by means of energy conservation and carbon reduction. For example, for the disposal of waste, the Company properly recycles recyclable materials. Non-recyclable substances are treated</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanations (Note 2)</th></tr>
<tr><td colspan="5">through incineration or landfill disposal. All hazardous wastes are handled by qualified recycling company for reuse. The Company actively encourages employees to sort waste, improve recycling rate, reduce the amount of business waste, and through continuous communication and research with the recycling company to study recycling techniques, in order to increase the recycling rate and achieve zero waste to landfill.
(2) Regarding social participation, social contribution, and social services, the Company is a donor of the Lite-On Cultural Foundation, actively participates in charitable activities and deeply engages in cultivating communal culture and education to make social welfare contributions. The main objectives include promoting self-cultivation, supporting children’s growth, caring for the corporate culture, campaigning for charitable activities and nourishing innovation and talents. We devote our energy to these causes that encompass humanities, public welfare, education, and culture.
(3) Regarding social welfare, the Company works closely with neighbors to carry out various public welfare activities. We will continue to participate in social welfare activities of this nature.
(4) Regarding consumer rights, the Company participates in fair competitions in the global market on the basis of the merits of its product. All of our marketing activities and advertisements must be precise and truthful and in line with the principle of integrity and the customer-oriented approach we dearly hold as our core values.
(5) Regarding human rights, the Company strictly complies with employment regulations by prohibiting the employment children below 15; additionally, employees aged below 18 are not allowed to perform dangerous work. The Company shows its unfailing attention to employee benefits by organizing a variety of welfare activities as well as offering comprehensive employee care, which includes enrollment in the labor and national health insurances and purchasing group insurance for our employees. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees’ children. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees’ children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care for our employees. Regardless of race, color, gender, nationality, etc., all employees can be treated fairly, respectfully and with dignity. The company strictly prohibits verbal, physical or visual insults, harassment, or offensive behaviors. Besides the relevant regulations, employees can report such incidents through the complaint hotline or the dedicated mailbox. There is never a dispute due to discrimination.
(6) Regarding safety and health, the Company is committed to providing employees with a safe and healthy work environment. The protective measures for workplace safety and employees’ personal safety, including those for occupational safety and health, environmental protection and fire control, are implemented in accordance with the Regulations for Industrial Safety.
A. Work environment monitoring (e.g., noise, illumination, and carbon dioxide) is carried out on a regular basis every six months.
B. The Safety and Health Committee is convened regularly every quarter. Issues regarding environmental safety and health in the current quarter are discussed and the implementation results of the previous quarter are followed-up and improved.
C. Noise-reducing equipment, including sound-absorbing materials and sound-insulating walls are used in noisy workplaces (e.g., air compressor room, power generator room); ear muffs, earplugs and other soundproofing equipment are also available for employees. For employees working in noisy workplaces, special checkups regarding noise-related health issues are implemented annually.</td></tr>
</table>

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	

D. General safety and health training for new employees is implemented; on-the-job training for current employees is implemented every three years regarding general safety and health issues. Fire control self-defense drills are conducted every six months, and fire brigade security personnel are commissioned to guide fire control drills biennially.
E. Hazardous materials are listed, marked and recorded (storage, usage, etc.), and relevant education and training for operators and their supervisors are implemented.
F. Reports, emergency responses, post-disaster investigations and improvement follow-ups are performed for various accidents such as fire and explosion, chemical leakage, anomalous discharge of waste water, occupational injuries and natural disasters.
G. Annual equipment maintenance schedules are developed, according to which maintenance of various equipment is implemented.
H. Fire safety equipment is inspected monthly, and fire safety equipment maintenance report is issued before November.
I. The Company provides employees with annual complimentary physical examinations to familiarize employees with their health conditions. In accordance with the requirements of relevant laws, the Company provides comprehensive physical examinations on an annual basis for employees whose duties involve specific occupational hazards to prevent occupational diseases and ensure employees' health. Threats, violence, or physical intimidation are strictly prohibited. Each employee has a copy of the Employee Handbook that contains relevant rights, obligations and the Code of Conduct for employees.

(7) Regarding quality statement, compliance with quality process and safety regulations is our paramount. If the process of delivering products or providing services fails to meet the company standards, it will harm our reputation. The company emphasizes comprehensive quality improvement through bottom-up quality control and top-down participation and cooperation. At Silitech, every employee has a Quality Statement card.

(8) Other social responsibility activities

A. We attach importance to talent development, provide employees with a happy work environment where they can learn and realize themselves, and support and encourage lifelong learning. We build and discover outstanding talents, develop employees' potentials, kindle employees' enthusiasm, maintain a platform that can retain core talents, improve the Company's overall organizational competitiveness, and thereby accomplish our vision and mission together with our employees.
B. We comply with all laws and regulations related to public disclosure of operational information. All of our periodic reports, submitted documents and public information, in oral or written form, are complete, impartial, precise, timely, accessible, and without major omissions, thus offering references for shareholders and stakeholders. All public disclosure must comply with the Corporate Law and the Securities Act.

Note 1: In case Implementation Status ticked "Yes", please expain the adopted important policy, strategy, measures and execution status. In case Implementation Status ticked "No", please expain the reasons and the plan for adopting related policies, strategies and measures in the future.
Note 2: If the company has prepared the CSR report, the explanations may just indicate the way to consult such report and the corresponding index page numbering.
Note 3: The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the Company.

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	 V V V		(1) The Company has formulated its Principles for Ethical Corporate Management based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. Both the Ethical Corporate Management Best Practice Principles and the Regulations for Ethical Business Operations explain the Company's ethical business policies and implementation methods and are publicly available on the Company's website. Our Board of Directors and top management team promise to actively implement these regulations in all of our business activities. (2) The Company has established the Regulations for Ethical Business Operations as a specific guidance for all employees to evaluate and prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. The regulations also specify the disciplinary actions and complaint methods regarding employees' violations of the regulations, which are also implemented in our internal management through education and training.	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanations</th></tr>
<tr><td></td><td></td><td></td><td>(3) The Regulations for Ethical Business Operations specifies that:
A. Any form of bribery or solicitation and acceptance of bribes is prohibited.
B. Illegal political donations may not be offered.
C. All charitable donations or sponsorships shall comply with the laws.
D. Employees may not take the initiative or be made to collect or provide illegitimate incomes including cash, gift certificates, checks, stocks, gifts or any other valuable rebates, gifts or special treatments (including meals, travel or entertainment offers) to third parties related to business operations.</td><td></td></tr>
<tr><td>2. Ethic Management Practice
(1) Whether the Company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?
(2) Whether the Company has set up a unit which is dedicated to promoting the company’s ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?
(3) Whether the Company has established policies to prevent conflict of interests, provide appropriate</td><td>V
V
V</td><td></td><td>(1) The Company only performs business transactions with legal, ethical customers and suppliers. Before building business relationships with counterparties, the Company will evaluate their legal status and records (if any) of unethical conduct. The Company will also specify integrity clauses in the agreements with business partners, which prohibits any offer, solicitation or acceptance of bribes.
(2) The Company has established the Corporate Social Responsibility Committee, which promotes the philosophy of ethical corporate management and is supervised by the Board of</td><td>(1)~(5) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
communication and complaint channels and implement such policies properly? (4) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically? (5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	 V V		Directors. (3) The Company has established policies to prevent conflicts of interests, and requires directors, managers and employees to abstain and recuse from discussing or voting on matters in which interests of their own, or the legal persons they represent, are involved. The Company has also established an Ethics Committee as the channel for submitting comments.The Company has established an Ethic Line for internal and external stakeholders (e.g., employees, suppliers and customers) to conduct anonymous or signed reports on frauds that violate principles of integrity and ethics. Methods and channels for complaining or reporting violations of ethical principles or illegal activities in the Company's operations or by the employees are specified as follows: Report mailbox: Chairman's Office, P.O. Box 48, Tamsui Shuidui, New Taipei City 25199 Email ethic.hotline@silitech.com Tel: +886-2-66251666 (4) The Company has established effective accounting systems and internal control systems for enforcing ethical corporate management. Our internal audit personnel and accountants implement the Company's internal audit unit on an annual basis. (5) The Company periodically provides internal and external training programs on ethical corporate	

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
			management. In the past two years, the company held educations and training courses related to ethical corporate management, such as CSR, safety, and health. The total training time is 197 hours, and the total headcounts/times of training are about 114 people.	
3. Implementation of the Company's Whistleblowing System (1) Has the Company established concrete whistleblowing and reward system, has a convenient reporting channel in place and assigns an appropriate person to communicate with the accused? (2) Whether the Company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner? (3) Did the Company adopt measures for protecting the whistleblower from improper treatment or retaliation?	V V V		(1) The Company established relevant operating procedures and punishment systems in relation to the Regulations for Handling Fraud Reports, and assigns dedicated units to related affairs in accordance with the procedures specified in the regulations. (2) The Company has established an Ethic Line for internal and external stakeholders (e.g., employees, suppliers and customers) to conduct anonymous or signed reports on frauds that violate principles of integrity and ethics. A dedicated unit investigates the reports, and ensures such complaints are handled in a confidential manner. Methods and channels for complaining or reporting violations of ethical principles or illegal activities in the Company's operations or by the employees are as mentioned above 2.Ethic Management Practice, point (3). (3) The Company will protect the confidentiality of the whistleblower's identity and the content of	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanations</th></tr>
<tr><td></td><td></td><td></td><td>the report during the whistleblowing process. Personnel participating in the investigation may not divulge such information in order to prevent the whistleblower from unfair treatment and retaliation.
If the investigation verifies the situation(s) specified in the report to be true, the whistleblower will receive appropriate reward(s) as an encouragement for reporting any improper conducts.</td><td></td></tr>
<tr><td>4. Enhancing information disclosure
Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)?</td><td>V</td><td></td><td>The Company has posted the Ethical Corporate Management Best Practice Principles, Regulations for Ethical Business Operations, and Corporate Social Responsibility Report on its website, explaining the Company’s philosophy of ethical corporate management, which is completely realized in daily operations.</td><td>In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">5. If the Company has established its ethical corporate management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx listed Companies", please state the difference between such principles and implementation:
The Company has formulated the Ethical Corporate Management Best Practice Principles, and established the Social Responsibility Management Handbook and the Regulations for Ethical Business Operations, all of which are implemented in our daily operations.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the Company’s corporate conduct and ethics policy).
The Company sends the Memorandum to Silitech’s Suppliers in written form to all suppliers the Company deals with, in which the Company explains its resolution and implementation methods for ethical corporate management, and specifies the Ethics Committee as the Company’s interactive channel for relevant operations of ethical corporate management.</td></tr>
</table>

Note: The Company shall provide explanations regardless of whether Implementation Status ticked "Yes" or "No."

3.4.7 Company's Corporate Governance Principles and Related Regulations:

Please refer to "Investor- Corporate Governance" of the Company's website. http://www.silitech.com/ch/investor3-4.aspx.The relevant regulations include the "Corporate Governance Best Practice Principles", "Procedures for Handling Major Internal Information" and “Regulations for Handling Fraud Reports ".

3.4.8 Other important information:

In order to strengthen corporate governance, the Company has established the Audit Committee which consists of three independent directors and voluntarily appointed the corporate governance officer. In addition, in accordance with the formulation or amendment of the relevant laws and accommodation of the Company's business practice, the Company has formulated "Corporate Governance Best Practice Principles", "Corporate Ethics Code of Conduct", "Ethical Corporate Management Best Practice Principles" , "Corporate Social Responsibility Best Practice Principles", "Procedures for the Acquisition and Disposal of Assets", "Regulation and Procedure for Board of Directors Meetings", "Rules Governing the Election of Directors", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and "Audit Committee Organizational Rules". The details please refer to the Company’s website.

3.4.9 Implementation Status of Internal Control System:

- **Statement of Internal Control System**

Silitech Technology Corporation
Statement of Internal Control System

Date: 2020/2/24

In 2019, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board’s and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2019, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been approved on February 24, 2020 by the Board, with none of the 7 Directors present opposing it.

Silitech Technology Corporation

Chairman: Raymond Soong

President: James Huang

- **If CPAs are engaged to review the internal control system, their report shall be disclosed:** None.

3.4.10 In the most recent year and up to the date of publication of the annual report, disclose any penalty, the main shortcomings, and condition of improvement, if there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices: None.

3.4.11 Material resolutions of a shardholders meeting or a board of directors meeting in the most recent year and up to the date of publication of the annual report:

- **Shardholders Meeting Material Resolutions and Implementation**

Date	Proposals	Resolution	Execution
2019.06.12	Adoption of 2018 Business Report and Financial Statements.	According to the voting result, the proposal was passed as proposed.	The resolution was adopted.
	Adoption of the Proposal for Appropriation of 2018 Earnings: No cash dividends and no stock dividends distributed.	According to the voting result, the proposal was passed as proposed.	The resolution was adopted.
	Discussion of Proposal for Capital Reduction	According to the voting result, the proposal was passed as proposed.	1. Record date of capital reduction: 2019.07.26. 2. Record date of share replacement: 2019.09.20. 3. Llisting date for new shares: 2019.09.23. 4. Payment date of returned cash capital: 2019.09.27.
	Amendment to “Articles of Incorporation”	According to the voting result, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.
	Amendment to “Procedures for the Acquisition and Disposal of Assets”	According to the voting result, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.

	Amendment to “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees”	According to the voting result, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.
	Amendment to “Rules Governing the Election of Directors”.	According to the voting result, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company’s website.
	Discussion of Release of Directors from Non-Competition Restrictions.	According to the voting result, the proposal was passed as proposed.	It was announced on MOPS.

◆ **Board Meeting Material Resolutions**

Date	Material Proposals	Resolution
2019.02.25	1. Approval for the 2018 consolidated financial statements and financial statements. 2. Approval for appropriation of 2018 earnings. 3. Approval for capital reduction. 4. To convene the 2019 shareholders’ meeting.	Directors approved the proposal unanimously
2019.04.25	1. Approval for the first quarter of 2019 consolidated financial statements. 2. To dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. 3. Appointment of Corporate Governance Officer. 4. To convene the 2019 shareholders’ meeting. (additional items)	Directors approved the proposal unanimously
2019.06.03	1. Approval for signing the Tender Offer Agreement with Lite-On Technology Corporation to sell all Lite-On Japan Ltd. shares that the Company owns.	Directors approved the proposal unanimously
2019.07.25	1. Approval for the second quarter of 2019 consolidated financial statements. 2. Approval for no appropriation of 2019 2Q earnings. 3. To set up the record date of capital reduction.	Directors approved the proposal unanimously
2019.08.23	1. To set up the record date of share replacement and the plan for replacement of share certificates for the capital reduction.	Directors approved the proposal unanimously

2019.10.30	1. Approval for the third quarter of 2019 consolidated financial statements. 2. Approval for no appropriation of 2019 3Q earnings.	Directors approved the proposal unanimously
2020.02.24	1. Approval for the 2019 consolidated financial statements and financial statements. 2. Approval for appropriation of 2019 Earnings. 3. To convene the 2020 shareholders' meeting.	Directors approved the proposal unanimously
2020.04.09	1. Approval for the Company's subsidiary, Xurong Electronic (ShenZhen) Co., Ltd. , which manufactures the mechanical integration components, will gradually reduce the production in its factory. After the existing orders have been fulfilled, the factory will be closed in accordance with the laws of the local country.	Directors approved the proposal unanimously
2020.04.24	1. Approval for the first quarter of 2020 consolidated financial statements. 2. Resolution not to offset loss of 2020 1Q. 3. To dissolve and liquidate the Company's indirect invested 100% owned subsidiary, Silitech (Hong Kong) Holding Limited. 4. To convene the 2020 shareholders' meeting. (additional items)	Directors approved the proposal unanimously

3.4.12 In the most recent year and up to the date of publication of the annual report, directors held different opinions (on record or with written statement) about important resolutions passed at Board meetings and the major contents are: None.

3.4.13 In the most recent year and up to the date of publication of the annual report, any of Chairman, President, Chief Accounting Officer, Chief Finance Officer, Chief Internal Auditor, Corporate Governance Officer and R&D Head resigned or was discharged: None.

3.4.14 Information for 2019 regarding directors' and managers' participation in advanced training courses, as well as licenses held by personnel involved in transparency of financial information:

◆ **Advanced Training Courses for Directors**

Title	Name	Date	Organizer	Course Title	Hours	Total Hours
Chairman	Raymond Soong	2019/04/26	Taiwan Corporate Governance Association	Important Topics for Businesses: Global Economic Trends and Technological Developments	3	6
		2019/10/22	Taiwan Corporate Governance Association	Corporate Governance from Perspective of Prosecution and Investigation? From Illegal Securities Cases	3	
Vice Chairman	Warren Chen	2019/04/26	Taiwan Corporate Governance Association	Important Topics for Businesses: Global Economic Trends and Technological Developments	3	9
		2019/10/22	Taiwan Corporate Governance Association	Corporate Governance from Perspective of Prosecution and Investigation? From Illegal Securities Cases	3	
		2019/12/04	Taiwan Corporate Governance Association	Power Exercising and Notes for Directors and Managers	3	
Director	King, Yung-Chou	2019/09/04	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability	3	6
		2019/12/10	Taiwan Corporate Governance Association	Corporate Strategy: Past, Present and Future	3	
Independent Director	C.P. Chang	2019/3/26	Taiwan Corporate Governance Association	Cayman & BVI New Regulations for Economic Substance	1.5	6
		2019/05/15	Taiwan Corporate Governance Association	The impact of the Statute for Industrial Innovation Draft on Corporate Future Tax Planning	1.5	
		2019/08/13	Taiwan Corporate Governance Association	Internet Security and Emergency Response	1.5	
		2019/11/12	Taiwan Corporate Governance Association	Introduction of Corporate Governance Evaluation	1.5	

Independent Director	James Kuo	2019/02/22	Taiwan Corporate Governance Association	Leading to Corporate Sustainability Governance- to increase Corporate Long-term Value	3	12
		2019/07/10	Securities and Futures Institute	Human Resources and M&A Integration in the Process of M&A	3	
		2019/08/30	Dharma Drum Mountain Humanities and Social Improvement Foundation	Innovation and Sustainable Competitiveness toTaiwan's Future	3	
		2019/11/22	Dharma Drum Mountain Humanities and Social Improvement Foundation	Corporate Value Innovation from Chunghwa Telecom MOD and 5G	3	
Independent Director	Chiu, Te-Chen	2019/04/16	Taiwan Academy of Banking and Finance	Corporate Governance and Business Sustainability	3	6
		2019/07/31	Securities and Futures Institute	Legal Compliance of Security Trading for Insiders	3	

◆ **Advanced Training Courses for Managers**

Manager	Name	Course name	Hours
CFO (Chief Finance and Accounting Officer)	Sarah Cheng	Continuing Education for Accounting Officer	12
Corporate Governance Officer		Corporate Governance Officer Practice Workshop	12
		International and Taiwan's Anti-tax Avoidance Development and Enterprises' Measures	3
		Analysis of the Malpractice of Corporate M&A from Perspective of Corporate Governance	3

◆ **Certificates Held by Personnel Involved in Transparency of Financial Information**

Certification	Number of Employees	
	Finance	Internal Audit
CPA of the ROC	1	
Certified Internal Auditor (CIA)	1	1
BS 7799/ISO 27001 Information Security Management Systems Lead Auditor		1
Senior Securities Specialist	2	1
Securities Specialist	1	
Securities Investment Trust and Consulting Professionals	1	1
Fianancial Planner		1
Property Insurance Representative	2	
Bookkeeper	2	
Internal Controller of Bank		1

3.5 Information on CPAs' Fees

3.5.1 The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for less 1/4 to audit fee, the content and fee as below:

Unit: NT$ thousands

Accountant Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA Audit Period	Remarks
			System Design	Business Registrations	Human Resources	Others (Note 2)	Sub-total		
Deloitte & Touche	Yung-Hsiang Chao Jr-Shian Ke	4,320	0	0	0	415	415	2019.1.1~ 2019.12.31	Transfer pricing report, annual report review etc. : NT$ 415 thousand

Note 1: If a change of accountant firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee in chronological order. Please also state the reason for such changes in the remarks column.

Note 2: State non-audit fees by service items respectively. If the "others" of the non-audit fees is more than 25% of the total non-audit fee, please state the service contents in the remarks column.

3.5.2 Change of CPA firm and the audit fee paid in the year of the change is less than those paid in the previous year: None.

3.5.3 If audit fee is reduced by at least 10% from the previous year, the amount, percentage and reason for reduction must be disclosed: None.

3.6 Information on the Replacement of CPAs

If the Company has changed the CPAs during the last two years, the following matters shall be disclosed:

3.6.1 About the previous CPAs: Not applicable.

3.6.2 About the Succeeding CPAs: Not applicable.

3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: Not applicable.

3.7 Where the Company's Chairman, President, Financial or Accounting Head Has Worked for Its Certified Public Accountant Firm or Its Affiliate Business in the Past Year: None.

3.8 Any Transfer and Pledge of Shares of the Directors, Managers and Shareholders Holding More Than 10% of the Company's Shares

3.8.1 Net Change in Shares Held

Unit: shares

Title	Name	2019		As of Closure Date April 20, 2020	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Director/Major Shareholder	Lite-On Technology Corporation	(40,435,307)	0	0	0
Director Representative	Raymond Soong	(1)	0	0	0
Director Representative	Warren Chen	(1)	0	0	0
Director Representative	Charlie Tseng (Resigned on 2020/3/31)	0	0	0	0
Director Representative	Anson Chiu (Appointed on 2020/3/31)	NA	NA	0	0
Director Representative	King, Yung-Chou	0	0	0	0
Independent Director	C.P. Chang	0	0	0	0
Independent Director	James Kuo	0	0	0	0
Independent Director	Chiu, Te-Chen	0	0	0	0
President	James Huang	(44,213)	0	0	0
Assistant Vice President	Kevin Yeh (Discharged on 2019/10/31)	(76,535)	0	NA	NA
CFO (Chief Finance and Accounting Officer) / Corporate Governance Officer	Sarah Cheng	0	0	0	0

Note 1: Shareholders holding more than 10% of the company's shares should be identified as major shareholders and presented respectively.
Note 2: The counterparty of the shares transferred or shares pledged is the related person, and the following form should be filled out.
Note 3: Cash-refunding Capital Reduction by 66.552167% on September 20, 2019.

3.8.2 Shares Transferred

Name （Note 1）	Reason for Shares Transferred (Note 2)	Transaction Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors, Managers and Shareholders Holding More Than 10% of All Shares	Number of Shares	Transaction Price
None	None	None	None	None	0	None

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.

Note 2: Fill in acquisition or disposal.

3.8.3 Shares Pledged

Name (Note 1)	Reason for Shares Pledged (Note 2)	Change Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors, Managers and Shareholders Holding More Than 10% of All Shares	Number of Shares	Shareholding Ratio	Pledge Ratio	Pledge (Redemption) Amount
None	None	None	None	None	0	0%	0%	0

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.
Note 2: Fill in pledge or redemption.

3.9 Information on Relationships amongst the Top Ten Shareholders and Their Relationships with Spouses or Relatives within the Second Degree of Kinship

2020/4/20

Name (Note 1)	Shareholding by Self		Shareholding by Spouse and Underage Children		Shareholding under the Title of a Third Party		Name and Relationships of Related Parties to Top ten Shareholders (Spouse and Relatives within the Second Degree (Note 3)		Remarks
	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Title (or name)	Relation	
Lite-On Technology Corporation	20,322,003	33.87%	0	0%	0	0%	Lite-On Capital Corporation	Parent Company and Subsidiary	None
Lite-On Technology Corporation Representative Raymond Soong	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Chairman	None
							Soong, Hui-Ling	First Degree of kinship	None
Lite-On Technology Corporation Representative Warren Chen	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Vice Chairman	None
Lite-On Technology Corporation Representative Anson Chiu	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Business Group CEO	None
Lite-On Technology Corporation Representative King, Yung-Chou	0	0%	0	0%	0	0%	None	None	None
Chen, Lien-Hai	1,061,000	1.77%	0	0%	0	0%	None	None	None
Chen, Hsiu-Shih	1,004,000	1.67%	0	0%	0	0%	Dabaoying Company Limited	Chairman	None
Dabaoying Company Limited	747,000	1.25%	0	0%	0	0%	Chen, Hsiu-Shih	Chairman	None
Dabaoying Company Limited Chairman Chen, Hsiu-Shih	1,004,000	1.67%	0	0%	0	0%	Chen, Hsiu-Shih	Self	None
Soong, Hui-Ling	719,462	1.20%	0	0%	0	0%	Raymond Soong	First Degree of kinship	None
Shan, Ya-Wen	660,000	1.10%	0	0%	0	0%	None	None	None
Lin, Huan-Chang	497,000	0.83%	0	0%	0	0%	None	None	None
Lite-On Capital Corporation	385,545	0.64%	0	0%	0	0%	Lite-On Technology Corporation	Parent Company and Subsidiary	None
Lite-On Capital Corporation Chairman Raymond Soong	0	0%	0	0%	0	0%	Soong, Hui-Ling	First Degree of kinship	None
Yang, Yi-Hsiung	350,618	0.58%	0	0%	0	0%	None	None	None
Li, Yi-Shan	298,003	0.50%	0	0%	0	0%	None	None	None

Note 1: All the Top 10 shareholders shall be listed. For institutional shareholders, the names of the institutional shareholder and its representative shall be listed respectively.

Note 2: The shareholding proportion is calculated respectively for the shares in one's own name, the spouse's name, underage children's name, or a third party's name.

Note 3: Shareholders indicated in the foregoing include juristic persons and natural persons. Their correlation shall be disclosed in accordance with the requirements of the Financial Report Compilation Guidelines.

3.10 The Total Number of Shares of the Same Investee Held by the Company, Its Directors, Managers and Which the Company Controls Directly or Indirectly, with the Aggregate Shareholding Percentages

As of December 31, 2019

Units: Shares; %

Re-Investment Companies（Note）	Investment by the Company		Investment of Directors, Supervisors, Managers or Enterprises under Their Direct or Indirect Control		Combined Investment	
	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding
Silitech (BVI) Holding Ltd.	52,181,926	100.00	–	–	52,181,926	100.00

Note: Investments accounted for using the equity method.

Fundraising Overview

4.1 Capital and Shares

4.1.1 Sources of Share Capital

- Historical Sources of Share Capital

Unit: NT$ thousands; thousand shares

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
2001.10	10	100	1,000	100	1,000	Issuing capital	–	Note 1
2001.12	10	30,000	300,000	30,000	300,000	Capital increase 299,000 by cash	–	Note 2
2002.07	10	15,000	150,000	15,000	150,000	Capital reduction 150,000	–	Note 3
2002.10	10	80,000	800,000	45,000	450,000	Demerger capital increase 300,000	300,000	Note 4
2003.06	10	80,000	800,000	78,060	780,600	Capital increase 105,600 by earnings (Including capital increase by employee bonus of 11,100) Capital increase 225,000 by capital surplus	–	Note 5
2004.08	10	120,000	1,200,000	91,147	911,465	Capital increase 130,865 by earnings (Including capital increase by employee bonus of 13,775)	–	Note 6
2005.08	10	120,000	1,200,000	113,558	1,135,578	Capital increase 224,113 by earnings (Including capital increase by employee bonus of 41,820)	–	Note 7
2006.09	10	300,000	3,000,000	134,830	1,348,300	Capital increase 212,722 by earnings (Including capital	–	Note 8

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						increase by employee bonus of 33,300)		
2007.09	10	300,000	3,000,000	150,730	1,507,302	Capital increase 159,002 by earnings (Including capital increase by employee bonus of 33,610)	–	Note 9
2008.08	10	300,000	3,000,000	171,377	1,713,770	Capital increase 206,468 by earnings (Including capital increase by employee bonus of 43,680)	–	Note 10
2009.09	10	300,000	3,000,000	175,944	1,759,438	Capital increase 45,668 by earnings (Including capital increase by employee bonus of 28,730)	–	Note 11
2010.08	10	300,000	3,000,000	179,223	1,792,226	Capital increase 32,788 by earnings (Including capital increase by bonus of 15,394)	–	Note 12
2011.08	10	300,000	3,000,000	182,955	1,829,553	Capital increase 37,327 by earnings (Including capital increase by employee bonus of 19,605)	–	Note 13
2011.12	10	300,000	3,000,000	180,955	1,809,553	Capital reduction and cancellation of 20,000	–	Note 14
2012.08	10	300,000	3,000,000	184,564	1,845,643	Capital increase 36,090 by earnings	–	Note 15

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						(Including capital increase by employee bonus of 17,994)		
2013.08	10	300,000	3,000,000	187,706	1,877,057	Capital increase 31,414 by earnings (Including capital increase by employee bonus of 12,958)	–	Note 16
2014.08	10	300,000	3,000,000	189,384	1,893,838	Capital increase 16,781 by earnings (Including capital increase by employee bonus of 3,641)	–	Note 17
2018.08	10	300,000	3,000,000	179,384	1,793,838	Capital reduction and cancellation of 100,000	–	Note 18
2019.08	10	300,000	3,000,000	60,000	600,000	Cash refunded capital reduction 1,193,838	–	Note 19

Note 1: Approval date and document No.: 2001.10.26 Jin (090) Son No. 90121318
Note 2: Approval date and document No.: 2001.12.31 Jin (090) Son No. 09001521970
Note 3: Approval date and document No.: 2002.07.22 Jin So Son Tzi No. 09101284750
Note 4: Approval date and document No.: 2002.10.29 Jin So Son Tzi No. 09101427660
Note 5: Approval date and document No.: 2003.06.24 Jin So Son Tzi No. 09201197310
Note 6: Approval date and document No.: 2004.08.16 Jin So Son Tzi No. 09301154730
Note 7: Approval date and document No.: 2005.08.12 Jin So Son Tzi No. 09401155260
Note 8: Approval date and document No.: 2006.09.06 Jin So Son Tzi No. 09501200670
Note 9: Approval date and document No.: 2007.09.05 Jin So Son Tzi No. 09601219870
Note 10: Approval date and document No.: 2008.08.22 Jin So Son Tzi No. 09701212800
Note 11: Approval date and document No.: 2009.09.07 Jin So Son Tzi No. 09801204090
Note 12: Approval date and document No.: 2010.08.20 Jin So Son Tzi No. 09901190900
Note 13: Approval date and document No.: 2011.08.24 Jin So Son Tzi No. 10001196060
Note 14: Approval date and document No.: 2011.12.16 Jin So Son Tzi No. 10001281880
Note 15: Approval date and document No.: 2012.08.27 Jin So Son Tzi No. 10101174340
Note 16: Approval date and document No.: 2013.08.26 Jin So Son Tzi No. 10201174340
Note 17: Approval date and document No.: 2014.08.15 Jin So Son Tzi No. 10301170630
Note 18: Approval date and document No.: 2018.08.13 Jin So Son Tzi No. 10701099500
Note 19: Approval date and document No.: 2019.08.12 Jin So Son Tzi No. 10801105700

- **Types of Shares**

Type of share	Authorized Capital			Remarks
	Circulating shares Issued and Outstanding (Publicly-traded Shares)	Unissued Shares	Total	
Common stock	60,000,000	240,000,000	300,000,000	None

- **Information on Shelf Registration:** None.

4.1.2 Shareholder Structure

2020/4/20

Shareholder Structure / Quantity	Government Agency	Financial Institution	Other Institutional Entities	Individual	Foreign Institution and Foreigner	Total
No. of persons	0	0	120	24,194	37	24,351
Quantity of shares	0	0	22,043,327	37,508,247	448,426	60,000,000
Proportion of shareholding	0%	0%	36.74%	62.51%	0.75%	100%
Proportion of shares held by investors in China: 0%.						

Note: A primary exchange (or OTC) listed company or emerging stock company shall disclose the ratio of shares held by investors of mainland China；According to Article 3 of the Regulations Governing Investment Permit to the People of Mainland China, investors of mainland China shall refer to people, juridical persons, organizations or other institutions of mainland China or their invested companies in the third area.

4.1.3 Distribution of Shareholders

◆ **Distribution of Common Shares**

2020/4/20

Shareholding	Number of Shareholders	Quantity of Shares	Proportion of Shareholding
1 to 999	18,740	3,013,714	5.02%
1,000 to 5,000	4,457	8,849,729	14.75%
5,001 to 10,000	589	4,077,468	6.80%
10,001 to 15,000	221	2,634,535	4.39%
15,001 to 20,000	100	1,714,486	2.86%
20,001 to 30,000	78	1,903,369	3.17%
30,001 to 50,000	74	2,737,249	4.56%
50,001 to 100,000	49	3,393,673	5.66%
100,001 to 200,000	23	3,065,370	5.11%
200,001 to 400,000	13	3,599,942	6.00%
400,001 to 600,000	1	497,000	0.83%
600,001 to 800,000	3	2,126,462	3.54%
800,001 to 1,000,000	0	0	0%
1,000,001 and more	3	22,387,003	37.31%
Total	24,351	60,000,000	100%

◆ **Distribution of Preferred Shares:** None.

4.1.4 List of Major Shareholders

2020/4/20

Shares / Major Shareholders	Quantity of Shares	Proportion of Shareholding
Lite-On Technology Corporation	20,322,003	33.87%
Chen, Lien-Hai	1,061,000	1.77%
Chen, Hsiu-Shih	1,004,000	1.67%
Dabaoying Company Limited	747,000	1.25%
Soong, Hui-Ling	719,462	1.20%
Shan, Ya-Wen	660,000	1.10%
Lin, Huan-Chang	497,000	0.83%
Lite-On Capital Corporation	385,545	0.64%
Yang, Yi-Hsiung	350,618	0.58%
Li, Yi-Shan	298,003	0.50%

4.1.5 Stock Price, Net Value, Earnings, Dividends and Related Information for the Most Recent 2 Years

Item \ Year			2018	2019	2020/01/01-2020/04/30 (Note 8)
Market Price per Share (Note 1)	Highest Market Price		19.80	27.95	28.60
	Lowest Market Price		10.75	11.95	17.15
	Average Market Price		15.43	17.51	24.99
Net Worth per Share (Note 2)	Before Distribution		20.98	42.02	35.15(Note 8)
	After Distribution		20.98	(Note 9)	NA
Earnings per Share	Weighted Average Shares (thousand shares)		179,384	127,378	60,000
	Earnings per Share (Note 3)	Before Adjustment	(0.19)	(0.24)	(6.68)(Note 8)
		After Adjustment	(0.19)	(0.24) (Note 9)	NA
Dividends per Share	Cash Dividends		0	0	NA
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	0 (Note 9)	NA
		Stock Dividends Appropriated from Capital Reserve	0	0	NA
	Accumulated Unappropriated Dividends (Note 4)		0	0	NA
Investment Return Analyses	P/E Ratio (Note 5)		NA	NA	NA
	Price-dividend Ratio (Note 6)		NA	NA	NA
	Cash Dividend Yield (Note 7)		0%	0%	NA

*If shares are distributed in connection with a capital increase out of earnings or capital surplus, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest share prices for each ear are provided, with the average price for the year computed based on each year’s transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at year’s end and the distribution passed at the following year’s shareholders' meeting to fill in.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed respectively.

Note 5: Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 6: Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average per share closing price for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the Independent Auditors’ (Review) Report in the most recent quarter of the annual report. The remaining fields should be filled in the year of the date of publication of the annual report.

Note 9: The appropriation of 2019 earnings will be approved with resolution by 2020 shareholders' meeting.

4.1.6 Dividend Policy and Implementation Status

- **Dividend Policy**

1. In order to comply with regulations from competent authorities and established specific dividend distribution policies to improve the Company's disclosure of corporate governance information, the Company's dividend policy in Articles of Incorporation amended on June 12, 2019 is stated as below:
   If there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first offset any previous accumulated losses (including unappropriated earnings adjustment if any) and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside special reserve shall be provided or reversed in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings if any) , apart from retained earnings allocated in part from the necessary capital for the Company's future developments, shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.
   The Dividend Policy of the Company is in consideration of business development plan, investing environment, global competiveness and the shareholders' interest. The Dividend Policy of the Company is the distribution to shareholders with the appropriation of the amount which shall be no less than 70% of the net profit after income tax under the circumstance that there is no cumulated loss in prior years. The distribution may be executed in cash dividend and/or share dividend, and the cash dividend shall be no less than 90% of the total distributed dividends.
   In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.
   The Company may distribute profits or compensate losses after the end of each quarter in accordance with the Company Act. In distributing earnings, payable taxes shall be estimated and allocated, while losses shall be compensated and the legal reserve deducted in accordance with the law, unless the accumulated legal reserve is equal to the Company's paid-in capital.
   Cash distribution of the Company's earnings shall only be performed with approval from the Board of Directors meeting. Distribution of the aforementioned earnings in the form of new shares shall follow the resolutions of the shareholders' meeting in accordance with regulations.
2. The Company's Board of Directors resolved to amend the Company's Articles of Incorporation on February 24, 2020, which is to abolish the policy of distribution of retained earnings and offset of deficit at the end of every quarter. The aforementioned proposals will be resolved in the 2020 shareholders' meeting.

- **Dividends Distribution to be Proposed to the Shareholders' Meeting**
  1. The Company's Board of Directors resolved that no cash dividends were distributed for every quarter earnings of 2019.
  2. Total distributable earnings of the Company for 2019 amounted to NT$304,081,911. Due to the net loss for 2019, the Company's Board of Directors on February 24, 2020 resolved no dividends distrubted to shareholders. The aforementioned proposals will be resolved in the 2020 shareholders' meeting.

4.1.7 Impact of issuance of stock dividends proposed in this shareholders' meeting upon the Company's business performance and earning per share (EPS)

No cash dividends and no stock dividends were proposed in the 2020 shareholders' meeting of the Company. Therefore it is not applicable.

4.1.8 Compensation for Employees and Directors

- **The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors**

The Company shall allocate the following compensation from the profit of each fiscal year (The "profit" means "profit before income tax and employees' and directors' compensation"), however, the Company shall have reserved a sufficient amount from such profit to offset its accumulated losses (including unappropriated earnings adjustment if any):

1. Employees' compensation: no less than 10%.
2. Directors' compensation: no more than 5%.

The employees' compensation under the preceding paragraph may be distributed in shares or cash. Those entitled to such compensation include the Company's employees or employees of the Company's parent or subsidiary companies that meet certain specific requirements. The Board of Directors is authorized with full powers to determine the terms and methods of appropriation. Where the securities management authorities have other rules governing the qualification requirements of employees specified, such rules shall be followed. The Directors' compensation under the preceding paragraph will only be distributed by cash.

The Company shall, upon a resolution of the Board of Directors, distribute employees' and directors' compensation in the preceding two paragraphs, and report to the shareholders' meeting for such distribution.

- **Basis for estimates of compensations for employees and directors this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount:**

1. Due to the loss before tax for 2019, there is no compensation distributed to employees and directors.
2. If there is profit before tax, the procedures are as follows:
   - Basis for estimates of compensations distributed for employees and directors is based

on past experience and consideration of the current operating conditions, and estimates based on the amount that may be issued.

- Basis for calculating employee stock compensation is based on the closing price of previous day of BOD. The compensation to employee calculating less 1 share shall be distributed by cash dividends.
- The accounting procedures for when there is a discrepancy between the estimated and actual amount
  If the actual distribution amount is significantly changed by the resolution of the BOD before announcement date of the annual financial report, the original allocation annual cost shall be adjusted. If it is changed after announcement date of the annual financial report, it shall be adjusted to record next year according to the accounting estimate.

◆ **Information regarding board of directors' approval of compensation**

1. Due to the loss before tax for 2019, the Company’s Board of Directors on February 24, 2020 resolved no compensation distributed to employees and directors, and pending to report on the 2020 AGM. There is no difference between the aforementioned amount and the estimation recognized in the 2019 financial statements.
2. The amount of employee compensation in the form of stock and its percentage of the Company's after-tax income (as reported in the financial statement of this term) and total employee compensation: No employee compensation for this term. It is not applicable.

◆ **The actual distribution of employee and director compensation for 2018**

Unit: NT$

	Actual Amount	Estimated Amount	Difference
Compensation to Employee - Stock Dividends	0	0	None
Compensation to Employee - Cash Dividends	0	0	None
Compensation to Directors	0	0	None

4.1.9 The Execution Status of Shares Buyback: None.

4.2 Issuance of Corporate Bonds: None.

4.3 Issuance of Preferred Shares: None.

4.4 Issuance of Global Depositary Receipts: None.

4.5 Status of Employee Stock Option Plan or Restricted Stock: None.

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions:

None.

4.7 Financing Plans and Implementation: Not Applicable.

Operational Highlights

5.1 Business Activities

5.1.1 Scope of Business

- **Major Lines of Business and Relative Weight**

Unit: NT$ thousands

	Major Lines of Business	Year 2018		Year 2019	
		Revenue	Weight	Revenue	Weight
Mechanical Components & Exterior Optical Modules	Design, manufacture and sales of exterior optical components and input devices for automobiles, mobile device, netcom, etc.	2,251,044	100%	2,295,774	100%

- **Current Products (Services)**

Major Products	Current Products
Exterior Decoration Mechanical Components & Input Device Products	3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices
Module Products	3C, automotive, smart lock and other modular products, combined with keypads, flexible or rigid circuit boards, backlights (such as LED) and IC circuits and other integrated products

- **New Products (Services) Planned for Development**

1. Development and functional update of exterior optical components.
2. Development of new materials which applied to the exterior mechanical components.
3. Development of environmentally friendly & non-toxic materials.
4. Development of precise molds and fixtures.
5. Development of metal materials application.
6. Development of various composite films.

5.1.2 Overview of Industry

- **Current Status and Development of the Industry**

Silitech applies our specialized core technologies and techniques to the integration of rubber, plastic and optical components within two main production and product categories: Mechanical Integration and Automotive Components, and also provides customized design and manufacturing services. The products include 3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices. The following is a brief description of the automotive, smart home and wearable device markets.

1. Automotive Market Overview

   In 2019, the global market demand was weak and the Influenced by the US-China trade war, which triggered changes in the automotive industry market. Major global automobile markets such as China, Europe, and North America have low growth and even negative growth.

   According to the Association of Automobile Manufacturers data of each country, in 2019, the sales volume of automobiles in China fell to 25.77 million units, down 8.2% year-on-year. It is still the largest single country market, accounting for nearly 30% of global sales. The US auto market sold 17.05 million units, accounting for about 20% of global sales. Car sales in Japan fell by 1.5%, the first decline for these three years. And the European market also fell by 0.04%.

   In 2020, affected by the COVID-19 epidemic, the global automotive market has experienced a sharp decline in demand, and major automobile factories have reduced production or even shut down. IHS Markit estimates that global automobile sales will drop by more than 12% to 78.8 million units.

   Driven by the trend of the Internet of Vehicles, the output value of Automotive Telematics System will triple to US$ 6.7 billion by 2023. The functions of safety and security will be enriched, such as emergency calls, roadside assistance, tracking stolen vehicles and online updates.

   In addition, more and more automobiles are equipped with display screens, and the screens are larger, more powerful, and more expensive. IHS predicts that the global automotive display system market will reach US$20.8 billion in 2022, compared to 2017 of US$11.6 billion, an increase of US$9.2 billion in five years.

   In addition to the central display system, rear seat entertainment and information screens, the growth of car display market comes from safety display systems, instrument panels, head-up displays, and electronic rear-view mirrors. Leading vendors include Continental, Visteon, Panasonic, Denso and Bosch. The top 5 players accounted for more than 50%

market share of the display system market. With the introduction of automotive touch modules by major automakers, the demand for automotive touch panel modules has surpassed that of notebook computer touch panel modules, becoming the third largest application after smart phones and tablets.

2. Smart Home Market Overview
IDC estimated that smart home devices grew to 840 million units in 2019 and will be estimated to grow to 1.46 billion units by 2023. The compound annual growth rate (CAGR) is as high as 14.9%, and the output value increased from US$162.2 billion in 2017 to US$300 billion in 2022, with a CAGR of 18%.

Global smart home device shipments

Unit: million units

Device Type	**2019** (estimated)	**2023** (estimated)	CAGR
Video Entertainment	346.5	424.4	5.2%
Home Monitoring/Security	163.9	349.3	20.8%
Smart Speaker	138.5	206.2	10.5%
Other	191.7	483.7	26.0%
Total	**840.7**	**1,460**	14.9%

Source: IDC (2019/July)

Video entertainment devices such as smart TVs, digital media adapters, and network video players will be the largest category of smart home devices. IDC estimates that the number of devices will reach 424 million by 2023, with a compound annual growth rate up to 5.2%, the output value is higher than three-quarters of the overall smart home market.

The growth trend of the IoT, and the increasing focus on security and privacy, has promoted the global popularity of Home monitors and security. IDC expects the fastest growing category to 2023 is Home monitors and security products such as smart locks, monitors, humidity sensors and smart doorbells, etc. will be the second largest category of smart home devices. The future products will be easier to be installed and connected with smart assistants or other smart home devices. The products will get popular. According to Grand View Research data, the global market size of smart locks in 2019 is US$ 1.2 billion. It is expected that the compound annual growth rate will reach 18.5% from 2020 to 2027, and the global demand for smart locks will reach 34.9 million. In addition, with the advancement of wireless technology, it has also promoted the growth of the market demand for home security cameras. Market Research Future estimates that by 2023 the scale will reach US$13.063 billion dollars, with a compound annual growth rate of 10%.

3. Wearable device Market Overview

As the growth of smartphones has stalled, wearable devices have become a key battlefield for brands in recent years. Gartner reports global end-user spending on wearable devices is set to total US$51.5 billion in 2020, an increase of 27% over 2019, of which smart watches will grow by 34%, accounting for 44% of wearable devices

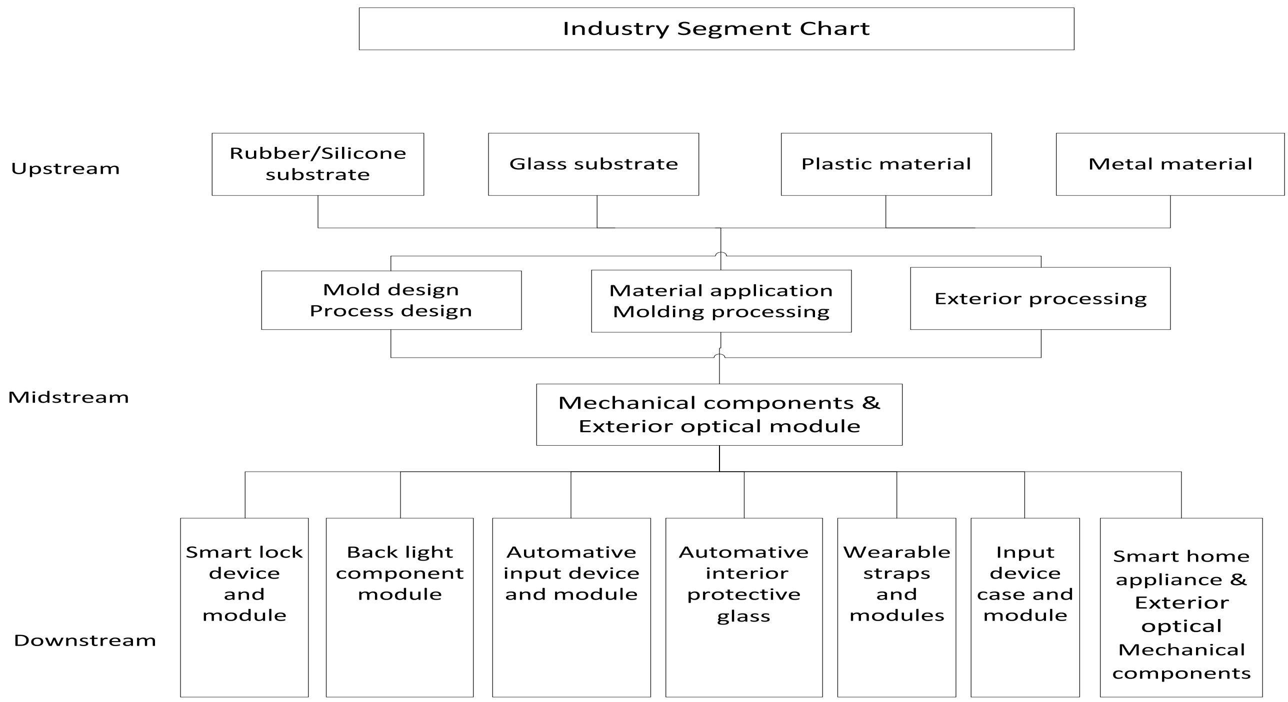
Worldwide Wearable Devices End-User Spending by Type, 2018 -2021

Unit: US$ million

Device type	**2018**	**2019**	**2020**	**2021**
Smart watch	12,412	17,047	22,803	27,388
Head-mounted display	5,354	7,183	10,609	15,501
Ear-worn	6,780	7,885	8,716	9,927
Sports watch	3,647	4,121	4,555	4,912
Wristband	3,405	3,194	3,115	3,055
Smart-clothing	848	1,151	1,746	2,202
Total	**32,446**	**40,581**	**51,545**	**62,985**

Source: Gartner (2019/Oct.)

- **Links Between the Upstream, Midstream and Downstream Segments of the Industry**



Source: Silitech

- **Development Trends for Products**

The Company designs and manufactures various input keypad products, wearable devices and optical exterior components, applied to automotive industry and smart home appliances such as communication, information and consumer electronics. It serves the world's first-tier manufacturers. In the future, the Company's development direction will be:

1. Industry Side
   In order to ensure the long-term competitive advantage of the company, the company will actively expand the automotive interior decoration and decoration products, home monitoring / security for smart homes, wearable devices, and Netcom and 5G-related applications to diversify business risks and master industry development trends so that the company can respond early.

2. Product Side
   In the future, in-vehicle interior appearance devices, personal mobile devices, and smart home monitoring / security devices will continue to be oriented toward light and thin, diversified, multimedia-related applications, personalized features and visual focus. The added value of related exterior mechanical components will increase. The demand for the wearable device with skin-friendly and ergonomic rubber and silicone materials combined with heterogeneous materials, as well as the smart home monitoring / security that emphasizes personal privacy and home security will continue improve.

3. Technology Side
   Through deepening research and development of core technologies, combined with various materials, applications and exterior production process, we also provide customized technical services to end customers to meet the design needs of exterior decorative components and heterogeneous material combination of various industries.

4. Competition Situation
   In the face of the rise of China's supply chain, the competition has become increasingly fierce and China's suppliers have become major competitors. Therefore, the Company actively develops the European, American and Japanese markets across industries, deepens core technologies and applies to high value-added and sophisticated products to establish a long-term competitive threshold.

   With high-coefficient safety requirements and precise close-in technology, the Company has experience and channel relationships of long-term supply with international automakers and continues to develop and deepen the relevant products in the automotive industry.

5.1.3 Technologies and R&D Overview

- **R&D Expenses Invested in the Past Two Years and up to the Date of Publication of the Annual Report**

Unit: NT$ thousands

	2018	2019	2020/ Q1
R&D expenses	124,020	119,548	35,300
Percentage of revenue	5.51%	5.21%	8.05%

- **Technologies (Products) Successfully Developed**

The Company has always attached great importance to research and development and intellectual property rights. As of the date of publication of the annual report, the Company has obtained a total of 75 valid patents/patent numbers (excluding patents in invalid, overdue, during application or announcement). At present, the technology or products have been successfully developed are as follows: The first to twelfth generation of plastic and rubber-bonded keypads, metal mirror coating and printing, low-temperature vacuum sputtering plastic metallization, metal and plastic flat keypads, and nickel-free process products (Ni-free), ultra-thin EL / LED + light guide plate backlight keypad module manufacturing and design, NB keyboard thin backlight module, multi-display thin backlight module, stereo font keypads, film and elastomer modular keypads , QWERTY keypads, touch keypads with paragraph function, multi-display keypads module, integrated keypads with light guiding function, gradient color appearance processing development, ATO (customer zero inventory product) " just in time concept", liquid plastic Hard body, multiple QWERTY keypad, Colorful NCVM Keypad, surface special coating, Cubic / Holographic Keypad, Ultra-Thin Plating Component, LGF as Assembly Keypad Base, 1pcs LG with Separated Lighting Areas, Backside Printing ATO For Metalic Surface Color, UVPP IML Seamless, Gradient LGR, Assembly To Separate, Smart Touch Panel Keypad Module, double-sided guide Structure, metallic pieces of plastic, Colorful Aluminium Annodizing, 3D glass, protective glass, wearable devices, all kinds of material back cover, Dot View display wisdom protective cover products.

At the same time, in response to environmental regulations such as RoHS and Green Product, the Company can also meet the requirements of specifications and customers, and contribute to the protection of the environment.

5.1.4 Long-term and Short-term Business Development Plans

	Short-term Plans	Long-term Plans
Marketing	◆ To find new market applications based on existing core technologies. ◆ To build a business development platform and process, cooperate with industry information collection, and continue to find new market opportunities.	◆ To play the role of global specialization division, continue to promote and build a global marketing network to enhance the company's global market leading position and the share of various product lines.
R&D	◆ To develop high value-added products based on existing core technologies. ◆ To continuously strengthen core technical capabilities.	◆ In addition to the existing core technology, based on market trends, to establish new core technologies and products. ◆ To develop products for cross-industry applications in combination with market trends and needs.
Manufacture	◆ To meet the needs of customers, deploy and adjust global production bases flexibly and effectively, increase production efficiency and reduce production costs.	◆ To introduce automated processes to reduce manpower requirements, and establish a smart manufacturing production model to meet the needs of customers for immediate delivery and diversification.
Operation	◆ Coordinate the resources within the Company and bring into the synergy of the business.	◆ To steadily seek a strategic alliance of peers or different industries, with the goal of developing into a global enterprise group.
Finance	◆ To deploy the financial control spirit, cooperate with and support the Company's short/long-term development needs, and carry out relevant financing plans.	◆ To cooperate with the Company's operation scale and the upstream and downstream integration development of the industry, enrich the financing source domestically and overseas and build a foundation for the development of enterprises.

5.2 Market Analysis and Overview

5.2.1 Market Analysis

◆ **Geographic Areas Where the Main Products (Services) Are Provided (Supplied)**

Unit: NT$ thousands

Item \ Year		Year 2018		Year 2019	
		Amount	%	Amount	%
Domestic Revenue		107,935	4.79	188,826	8.22
Export Revenue	America	386,968	17.19	438,489	19.10
	Europe	322,246	14.32	320,632	13.97
	Asia	1,433,766	63.69	1,347,827	58.71
	Others	129	0.01	0	0
Subtotal- Export Revenue		2,143,109	95.21	2,106,948	91.78
Total		2,251,044	100.00	2,295,774	100.00

Note: Global consolidated data.

◆ **Market Share, Demand and Supply Conditions and Market's Growth Potential**

In the face of the rapid change of mobile phone market share and the slowdown of market growth rate, the Company is still ranked as the world's largest supplier in mobile phone keypads and module products.

In the future, the Company will continue to develop high-priced, high-value-added products, such as automotive buttons, automotive protection glass, wearable products, and so on. Although the current market share is only in the single digit level, due to the continuous growth of the market, it is expected to further increase in the future.

◆ **Competitive Niche**

Systematic R&D capabilities and product design services	Through continuous sharing of technology platforms and APQP R&D exchange and PLM management mode, the Company continuously strengthens R&D technical capabilities, and is guided by the smooth operation of PM project-oriented mechanism to meet customer needs and provide customers with Total Solution and one-time purchase service. Therefore, the Company has been invited to participate in the Early Joint Design of various industrial exterior component products and has been favored by many international manufacturers.
Proper production base	The company weighs the overall production costs and properly deploys Southeast Asia and the mainland, combining Taiwan's high-end product development and production to construct a complete production base. Production bases in Taiwan, mainland China and Malaysia has successively obtained ISO 9000, ISO 14000, TS16949 and the United States Quality assurance certifications such as Ford and Chrysler Best Supplier, are moving towards smart manufacturing.

Global sales channel	At present, the Company has established dense and in-depth local sales channels in the United States, Europe, Japan, Southeast Asia and mainland China. In addition to providing customers with prompt and immediate services, it has gradually established high-quality, accurate delivery and reasonable price competition advantages.
Professional collaborative supply chain management	The VQM management model, which leverages the spirit of the intermediate satellite system, actively assists the company's collaborative manufacturers to improve production processes, expand the scope of cooperation, and effectively improve the quality. Therefore, the strong and stable supply chain management (Supply Chain Management) has become one of the competitive niches of the Company.
Experienced management team	The company pays attention to talent cultivation, and the accumulated practical experience of the management team is more than 10 years. The cooperation tacit understanding and management beliefs are all in line with each other, which can effectively lead the company to develop steadily and move towards the international professional factory of exterior mechanical components.

◆ **Positive and Negative Factors for Future Development and Response**

1. Positive Factors

The decorative mechanical component design is more and more valued.	The personalized and colorful appearance requirements with rapid change of consumer demand have reduced the life cycle of consumer electronics products. Providing multi-style operational applications and appearance requirements, as well as the design requirements for exterior decorative components and protective glass have become even more important.
Automotive telematics system and display market continue to grow	Driven by the trend of the Internet of Vehicles, the proportion of automotive telematics system and multi-display systems is increasing. Products focus on safety, high functionality, precision and design quality. They need to be matched with ergonomic design and the mixed design of plastic, rubber, metal and glass. The requirements of these products are consistent with the design and manufacturing capabilities of the exterior mechanical components of the Company.
Smart family demand takes off	The gradual maturity of smart voice assistant has driven the global smart home device market to start from the initial stage. The compound annual growth rate (CAGR) in the next five years is as high as 20.8%. The demand for security products such as smart locks which also require sophisticated design capabilities is growing at a high level.

2. Negative Factors

Diversification of human and device interface	Keypads are the device and human interface of many electronic products. In addition to keypads, there are still alternative products such as voice, handwriting or touch panels. However, compared with the general products, the price of keypads is slightly high and the market changes need to be closely monitored in the future.
Increased labor costs in China	China's economy has grown rapidly. In recent years, the basic salary of labor has been continuously increased. The overall cost of personnel in China has been continuously increased, caused the increase in the production costs in China.
The rise of mainland competitors	The gradual prevalence of 3C brands in China has led to the maturity of the supporting supply chain for overall production. The production and quality control capabilities of competitors have gradually improved, which has seriously impacted the component industry.
Talent cultivation is not easy	In recent years, the rapid change of science and technology has broken the boundaries of traditional university sub-disciplinary learning. Lots of industries need talents of cross-domain integration. In addition, the long-term low-pay problem in Taiwan has prompted the outflow of outstanding talents, which makes it difficult to recruit and cultivate talents.

3. Response

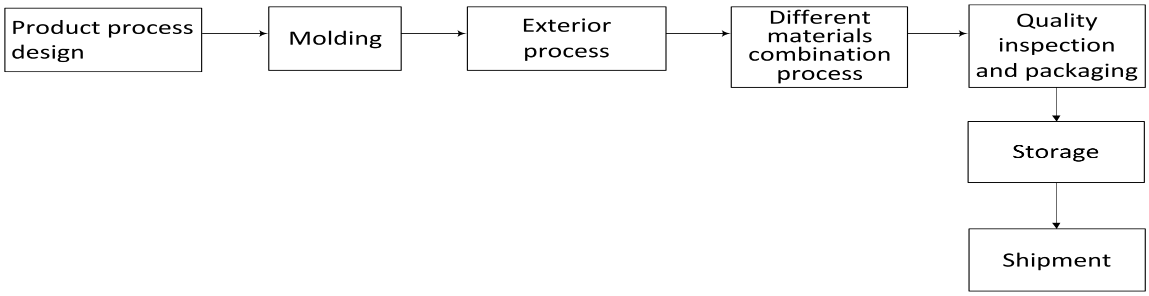
Item	Notes
To grasp product development trends Cross-industry market development	In order to ensure the long-term competitive advantages, the Company actively expands the exterior decorative parts and components into related fields to diversify business risks and actively grasp the development trend of the industry. In addition to sticking to existing businesses: mobile phone keypads and automotive center control panel buttons, the Company also develops cross-industry product lines that are highly relevant to existing businesses, such as game console buttons, car protective glass, toy exterior optical mechanism modules, and wearable device accessories, etc., and new products among existing customers. In the stable transformation process of the Company, grasping the development opportunity, such as smart home, IoT devices.
Based on rationalization, less people, and automated process design, toward advanced manufacturing	The Company continues to improve the design of rationalized and automated processes and production efficiency in response to the global increasing labor costs.
To expand R&D team building To enhance core technology investment and product development flexibility	The Company is committed to cooperate with customers to produce differentiated and high value-added products. In response to the rise of China’s brands, providing immediate and rapid design services and production flexibility for the design needs of nearby customers, the Company has established a new R&D team in China, in order to improve the overall research and development efficiency.
To strengthen vertical integration To strengthen specialization To seek strategic alliance	In line with customers’ needs, the Company continues to expand the vertical integration design capabilities of different materials and different processes, provides a wide range of components and module manufacturing services, actively cultivates business, R&D, cross-disciplinary talents and seeks strategic alliance with key suppliers to strengthen specialization in the industry.

5.2.2 Usage and Manufacturing Processes for the Main Products

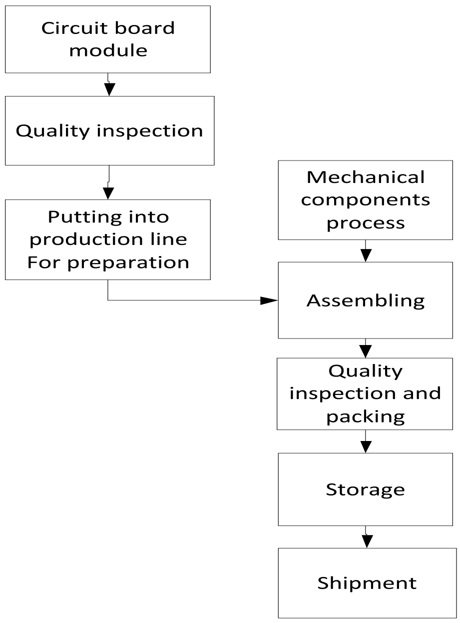
- **The company's current main products can be applied to 3C industry, automotive and toy industries, and other optical components and modules.**

- **Manufacturing Processes:**

1. Keypad & Exterior Mechanical Components



2. Module Products



5.2.3 Supply Situation for Major Raw Materials

Major Raw Materials	Source	Supply Situation
Silicone raw materials	Japan, United States	Good
Plastic materials	Japan, United States	Good
Chemical ink	Taiwan, Japan	Good
Glass raw material	United States, Japan	Good
Metal raw materials	Japan, China	Good

5.2.4 Suppliers and Clients Accounted for at Least 10% of Procurement (Sales) Amount and Percentage

- **Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement in Either of the Most Recent 2 Years:** None.

- **Customers Accounted for at Least 10% of Annual Consolidated Net Revenue in Either of the Most Recent 2 Years:**

Unit: NT$ thousands

	Year 2018				Year 2019				Year 2020 / Q1 (Note 2)			
No	Name	Amount	Percentage of Net Revenue 〔%〕	Relationship with the Company	Name	Amount	Percentage of Net Revenue〔%〕	Relationship with the Company	Name	Amount	Percentage of Net Revenue 〔%〕	Relationship with the Company
1	Customer A	381,791	17	None	Customer A	434,764	19	None	Customer A	100,910	23	None
2	Customer B	419,235	19	None	Customer B	291,266	13	None	Customer C	85,620	20	None
3	–	–	–	–	Customer C	287,894	13	None	Customer D	46,097	11	None
	Other	1,450,018	64	–	Other	1,281,850	55	–	Other	205,632	46	–
	Net Revenue	2,251,044	100	–	Net Revenue	2,295,774	100	–	Net Revenue	438,259	100	–

Analysis of deviation over 20%: None.

Note 1: Due to contract limitation, using a code in place of the actual name of the customer.

Note 2: The Company should disclose the data which is reviewed by the CPAs as of the date of publication of the annual report,

5.2.5 Production Volume for the Most Recent 2 Years

Unit: NT$ thousands / thousand units

Volume / Year / Main Products	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Mechanical Components & Exterior Optical Modules	385,193	189,388	1,861,607	270,781	169,814	2,062,344
Total	385,193	189,388	1,861,607	270,781	169,814	2,062,344

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

Note 2: The production of each product is substitutable. It is necessary to combine the calculated production capacity and note it.

5.2.6 Sales Volume for the Most Recent 2 Years

Unit: NT$ thousands / thousand units

Volume / Year / Main Products	2018				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Mechanical Components & Exterior Optical Modules	3,378	107,935	182,000	2,143,109	3,798	188,826	169,940	2,106,948
Total	3,378	107,935	182,000	2,143,109	3,798	188,826	169,940	2,106,948

5.3 Workforce Structure

Workforce Structure from the last two years and up to the date of publication of the annual report:

Year		2018	2019	2020/4/30
Number of Employees	DL	1,608	1,465	1,426
	IDL	774	664	651
	Total	2,382	2,129	2,077
Average Age		32.52	32.99	33.05
Average Years of Service		5.78	6.37	6.60
Education Level Percentage (%)	Doctor	—	—	—
	Master	4.28	4.79	4.96
	College	40.64	39.50	39.14
	High school	27.37	21.79	21.67
	Below high school	27.71	33.91	34.23

5.4 Disbursements for Environmental Protection

5.4.1

For last year and up to the date of publication of the annual report, there is no major environmental pollution and other circumstances.

5.4.2

The Company does not have any environmental pollution status, and there is no pollution caused by the production process and the use of raw materials. The waste of production operation is cleared by qualified environmental agency approved by EPA.

5.4.3

In order to implement the environmental protection concept and fulfill the social responsibilities, the Company has not only complied with the relevant laws and regulations on environmental protection and the environmental protection requirements of the competent authorities, but also formulated relevant management procedures and regulations, and continued to implement environmental protection training to enhance employees' environmental awareness and concepts. While meeting the needs of customers and taking into account the reduction of environmental hazards, the Company starts with product design and improves the process and requirements to achieve the best product design and production process and fulfill the environmental responsibility.

5.4.4

In response to the “Restriction of Hazardous Substance“ (EU RoHS), the Company has established a Hazardous Substances Free (HSF) project at the end of 2004. The project starts from the propaganda and requirements of raw material manufacturers, the inspection of materials, the monitoring of product manufacturing processes, the completion of the product, to the third-party SGS inspection certificate, in order to ensure that the materials and products manufactured by the Company can meet the requirements of EU RoHS and hazardous substances control for all customers.

5.4.5

In 2008, the Company inspected all of the products and materials for PFOA / PFOS (the EU additional hazardous substances) to ensure all raw materials and manufactured products that contain no such hazardous substances. In the same year, the halogen (chlorine & bromine) content of raw materials was also inspected (halogen is mainly used in some resins and pigments). The replacement by halogen-free materials and introduction of mass production have completed in 2009. Therefore, all halogen-containing raw materials are replaced by halogen-free materials. The Company became a qualified supplier that meets the customer's halogen content of less than 900ppm.

5.4.6

In the past, the Company continued to pay attention to environmental protection issues and implemented relevant systems through practical actions, including ISO 14001 environmental management system verification and ISO 14064 greenhouse gas emissions verification. Based on the focus on energy management issues and faced the future of severe energy management, in order to effectively manage energy use and improve energy efficiency and further enhance the Company's environmental image, the Company will develop an energy management system and energy efficiency improvement programs to achieve the three-win goal of reducing energy costs, saving energy and reducing carbon emissions, and enhancing the corporate image. The Company's South China Plant "Xurong Electronics (Shenzhen) Co., Ltd." has conducted ISO 50001 verification by SGS and successfully obtained ISO 50001: 2011 certification.

5.5 Labor Relations

5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation

- The Company treats labor relations with respect and impartiality at all times The Company shows its unfailing attention to employee benefits, in addition to the provision of welfare funds according to law, the establishment of the Staff Welfare Committee and the selection of welfare committees to set annual plans for a variety of welfare activities. The Company also offers comprehensive employee care, which includes annual complimentary physical examinations, enrollment in the labor and national health insurances and purchasing group insurance for our employees. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees' children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care for our employees. Profit and results sharing: stock or cash distribution to employees to enrich the staff benefits. The Company grants monthly leave and annual leave in accordance with the provisions of the Law of Labor and encourages employees to take leaves, so that work and life can be balanced. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees' children. The Company also has employee suggestion boxes to enable employees and the Company to have more two-way communication channels.

- To stabilize post-retirement life of employees to enhance the service spirit, the "Employee Retirement Management Measures"- the old system formulated according to the law, clearly stated the retirement conditions of employees, the pension payment standard and the retirement application and pension payment matters. The Company established the employee retirement reserve supervision committee, based on job tenure and salary of employees who adopting the old pension systems, and based on certain percentage of their monthly salary (at least 2% but not exceed 3%), provided the employee retirement reserve according to the "employee retirement reserve and management measures" and deposited in the name of the employee retirement reserve supervision committee with a statutory financial institution. The Company's "Employees' Retirement Management Measures" has been amended in accordance with the "Labor Pensions Ordinance" since 2005.7.1. The new system is levied 6% to the individual's retired account and clearly states the conditions for the application and the right to connect and convert between the old system and new system.

- Talents are the lifeblood of enterprises. In order to cultivate excellent successors, the Company has established a comprehensive talent development plan and education training workshops. According to the actual needs of each unit and the preparation of the annual budget, the whole year of training schedule is drawn up every year. According to different job functions, to plan the management courses for management level and stipulate employees to participate in various education and training courses conducted by the Company and related educational and training institutions. If it is necessary for the duties or work of employees, they may apply or be appointed by the direct supervisor for outside training. At the end of the course, employees are required to submit a report or briefing, and the results will be one of the eligibility criteria for future promotion. The 2019 training courses included new employee orientation, Seven Basic Tools of Quality, Statistical Process Control, Daily Management, Objective Management, Seven Management and Planning Tools, Project Management, Problem Solving and Decision Making, information security, safety and health, law, CSR, and so forth. The total annual training cost is about NT$ 1.53 million, the total training time is 93,737 hours, and the total headcounts/times of training are about 6,661.

- Employee behavior or ethical code
  In order to maintain a safe and healthy working environment, in accordance with the employee work rules, the Company and its employees should be responsible for their duties and comply with all company regulations and related laws. In order to strengthen labor-management cooperation and exchange of opinions, the Company has held the labor conference and established complaint channels and disciplinary measures to promote communication/ harmony between employers and employees. In addition, the Company has formulated the "Social Responsibility Management Handbook" and the "Regulations for Ethical Business Operations" as the ethical values that all employees should follow. It is also the Company's business philosophy.

- Protective measures for the work environment and employees’ safety
  In order to establish a safe and health management system and avoid occupational disasters, the Company has formulated industrial safety implementation procedures and safety/health

work codes, discussed labor safety issues irregularly in the Labor Safety and Health Committee, strengthened safety education and training to promote employee self-protection system, and then implemented and created safety culture. In view of the importance of the work environment and the personal safety protection measures of employees, the Company has set up labor safety and health management personnel to be responsible for the promotion of labor safety and health, and implemented automatic inspection. In addition to regular maintenance of various machinery and implementation according to the operational instructions, in order to prevent disasters and to make employees' awareness of safety and health operations, the Company also regularly conducts general personnel safety and health education training courses to enable all employees to understand and follow the relevant laws and regulations, educates employees on the maintenance and use of protective equipment, emergency and notification of accidents. Through advocacy planning and implementation, the potential occupational disaster risk of all employees is reduced with a zero disaster target.

5.5.2 For last year and up to the date of publication of the annual report, there was no loss due to labor disputes. The current labor relation is harmonious and there is no concern on labor disputes.

5.6 Material Contracts

Contract Nature	Contracting Party:	Term of Agreement	Major Content	Restrictive Clauses
Sales contracts	Confidentiality, no disclosure	Confidentiality, no disclosure	Relevant agreements for the sale of the Company's products, such as the type of goods, goods, specifications, delivery period and quantity.	None

Financial Highlights and Analysis

6.1 Financial Highlights & Auditors' Opinions

6.1.1 Condensed Balance Sheet & Statement of Comprehensive Income - IFRSs

◆ **Condensed Balance Sheet – IFRSs (Consolidated)**

Unit: NT$ thousands

Item \ Year		Consolidated financial data for past 5 years (Note1)					2020 Q1 (Note 2)
		2015	2016	2017	2018	2019	
Current Assets		5,467,860	4,725,000	4,049,950	3,972,433	2,665,563	2,515,387
Property, Plant and Equipment		1,109,209	954,336	552,087	502,160	454,030	263,351
Intangible Assets		4,773	331	945	3,366	2,259	1,843
Other Asset		827,213	660,625	262,068	266,023	223,547	125,295
Total Assets		7,409,055	6,340,292	4,865,050	4,743,982	3,345,399	2,905,876
Current Liabilities	Before Distribution	1,399,290	1,340,826	945,650	881,038	714,824	688,285
	After Distribution	1,505,126	1,340,826	945,650	881,038	(Note3)	-
Noncurrent Liabilities		1,608,984	1,057,556	116,205	99,356	109,572	108,796
Total Liabilities	Before Distribution	3,008,274	2,398,382	1,061,855	980,394	824,396	797,081
	After Distribution	3,114,110	2,398,382	1,061,855	980,394	(Note3)	-
Equity Attributable to Shareholders of the Parent		4,391,458	3,940,667	3,802,062	3,763,588	2,521,003	2,108,795
Capital Stock		1,893,838	1,893,838	1,893,838	1,793,838	600,000	600,000
Capital Surplus		535,425	535,425	535,425	507,154	507,154	507,154
Retained Earnings	Before Distribution	2,051,140	1,833,232	1,747,195	1,745,437	1,698,359	(95,116)
	After Distribution	1,945,304	1,833,232	1,747,195	1,745,437	(Note 3)	-
Other Equity		145,709	(87,174)	(139,742)	(282,841)	(284,510)	(295,850)
Treasury Shares		(234,654)	(234,654)	(234,654)	-	-	-
Noncontrolling Interests		9,323	1,243	1,133	-	-	-
Total Equity	Before Distribution	4,400,781	3,941,910	3,803,195	3,763,588	2,521,003	2,108,795
	After Distribution	4,294,945	3,941,910	3,803,195	3,763,588	(Note 3)	-

Note 1: The financial data has been conducted audits by CPA.
Note 2: The financial data has been reviewed by CPA.
Note 3: The appropriation of 2019 earnings will be approved with the resolution by 2020 shareholders' meeting.

- **Condensed Statement of Comprehensive Income - IFRSs (Consolidated)**

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Consolidated financial data for past 5 years (Note1)					2020 Q1 (Note 2)
	2015	2016	2017	2018	2019	
Operating Revenue	3,530,193	2,387,732	2,285,054	2,251,044	2,295,774	438,259
Gross Profit (Loss)	570,308	257,305	303,931	287,176	346,834	(42,296)
Income (Loss) from Operations	37,582	(194,567)	(127,058)	(153,336)	(85,663)	(175,635)
Non-operating Income and Expenses	136,319	63,259	38,215	196,391	86,744	(184,126)
Profit (Loss) before Income Tax	173,901	(131,308)	(88,843)	43,055	1,081	(359,761)
Profit (Loss) from continuing operations	101,383	(116,873)	(82,105)	(33,816)	(30,495)	(400,868)
Profit (Loss) from Discontinuing Operations	-	-	-	-	-	-
Net Income (Loss)	101,383	(116,873)	(82,105)	(33,816)	(30,495)	(400,868)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(42,252)	(236,162)	(56,610)	(4,603)	(6,191)	(11,340)
Total Comprehensive Income (Loss) for the Year	59,131	(353,035)	(138,715)	(38,419)	(36,686)	(412,208)
Net Income (Loss) Attributable to: Owners of the Parent Company	145,977	(109,202)	(82,018)	(33,816)	(30,495)	(400,868)
Net Income (Loss) Attributable to: Noncontrolling Interests	(44,594)	(7,671)	(87)	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	104,137	(344,955)	(138,605)	(38,474)	(36,686)	(412,208)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	(45,006)	(8,080)	(110)	55	-	-
Earnings (Loss) Per Share	0.79	(0.61)	(0.46)	(0.19)	(0.24)	(6.68)

Note 1: The financial data has been conducted audits by CPA.
Note 2: The financial data has been reviewed by CPA.

◆ **Condensed Balance Sheet – IFRSs (Parent Company Only)**

Unit: NT$ thousands

Item \ Year		Financial data for past 5 years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		2,381,410	2,203,861	767,202	669,864	720,015
Property, Plant and Equipment		78,823	66,685	60,939	54,949	60,556
Intangible Assets		338	-	-	1,216	851
Other Asset		3,975,016	3,465,853	3,489,674	3,518,901	2,161,548
Total Assets		6,435,587	5,736,399	4,317,815	4,244,930	2,942,970
Current Liabilities	Before Distribution	453,118	755,845	421,405	405,014	342,613
	After Distribution	558,954	755,845	421,405	405,014	(Note 2)
Noncurrent Liabilities		1,591,011	1,039,887	94,348	76,328	79,354
Total Liabilities	Before Distribution	2,044,129	1,795,732	515,753	481,342	421,967
	After Distribution	2,149,965	1,795,732	515,753	481,342	(Note2)
Equity Attributable to Owners of the Parent Company		4,391,458	3,940,667	3,802,062	3,763,588	2,521,003
Capital Stock		1,893,838	1,893,838	1,893,838	1,793,838	600,000
Capital Surplus		535,425	535,425	535,425	507,154	507,154
Retained Earnings	Before Distribution	2,051,140	1,833,232	1,747,195	1,745,437	1,698,359
	After Distribution	1,945,304	1,833,232	1,747,195	1,745,437	(Note 2)
Other Equity		145,709	(87,174)	(139,742)	(282,841)	(284,510)
Treasury Shares		(234,654)	(234,654)	(234,654)	-	-
Noncontrolling Interests		-	-	-	-	-
Total Equity	Before Distribution	4,391,458	3,940,667	3,802,062	3,763,588	2,521,003
	After Distribution	4,285,622	3,940,667	3,802,062	3,763,588	(Note2)

Note 1: The financial data has been conducted audits by CPA.

Note 2: The appropriation of 2019 earnings will be approved with the resolution by 2020 shareholders' meeting.

- **Condensed Statement of Comprehensive Income – IFRSs (Parent Company Only)**

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Financial data for past 5 years (Note 1)				
	2015	2016	2017	2018	2019
Operating Revenue	1,222,040	759,372	947,665	977,970	949,744
Gross Profit	244,649	133,631	103,365	116,897	84,018
Income (Loss) from Operations	(29,148)	(93,709)	(103,591)	(92,006)	(127,397)
Non-operating Income and Expenses	187,582	(43,425)	7,466	57,371	96,901
Profit (Loss) before Income Tax	158,434	(137,134)	(96,125)	(34,635)	(30,496)
Profit (Loss) from continuing operations	145,977	(109,202)	(82,018)	(33,816)	(30,495)
Profit (Loss) from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	145,977	(109,202)	(82,018)	(33,816)	(30,495)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(41,840)	(235,753)	(56,587)	(4,658)	(6,191)
Total Comprehensive Income (Loss) for the Year	104,137	(344,955)	(138,605)	(38,474)	(36,686)
Net Income (Loss) Attributable to: Owners of the Parent Company	145,977	(109,202)	(82,018)	(33,816)	(30,495)
Net Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	104,137	(344,955)	(138,605)	(38,474)	(36,686)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Earnings (Loss) Per Share	0.79	(0.61)	(0.46)	(0.19)	(0.24)

Note 1: The financial data has been conducted audits by CPA.

6.1.2 Auditors' Opinions for past 5 years

Year	CPA Firm	CPA	Audit Opinion
2015	Deloitte & Touche	Cheng-Tsai Tsai and Chin-Tsung Cheng	Unqualified Opinion
2016	Deloitte & Touche	Cheng-Tsai Tsai and Yung-Hsiang Chao	Unmodified Opinion
2017	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion
2018	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion
2019	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion

Note: In 2016, "An Unqualified Opinion" was replaced by "An Unmodified Opinion" according to the new auditing standard of the Republic of China.

6.2 Financial Analysis

6.2.1 Financial Analysis - IFRSs (Consolidated)

Analysis Item	Year	Consolidated financial analysis for past 5 years (Note1)					2020/Q1 (Note 2)
		2015	2016	2017	2018	2019	
Capital Structure Analysis	Debts Ratio (%)	40.60	37.83	21.83	20.67	24.64	27.43
	Long-term Fund to Property, Plant and Equipment (%)	541.81	523.87	709.92	769.27	579.38	842.07
Liquidity Analysis	Current Ratio (%)	390.76	352.39	428.27	450.88	372.90	365.46
	Quick Ratio (%)	371.38	339.01	404.4	420.64	339.71	335.62
	Times Interest Earned (Times)	8.28	(4.73)	(7.02)	0.00	1.27	(724.32)
Operating Performance Analysis	Average Collection Turnover (Times)	4.46	5.04	5.97	4.50	4.71	4.40
	Days Sales Outstanding	82	72	61	81	77	83
	Average Inventory Turnover (Times)	13.95	14.39	16.99	12.73	10.63	11.63
	Average Payment Turnover (Times)	4.16	4.31	4.62	4.34	5.02	6.10
	Average Inventory Turnover Days	26	25	21	29	34	31
	Property, Plant and Equipment Turnover (Times)	3.03	2.31	3.03	4.27	4.80	4.89
	Total Assets Turnover (Times)	0.45	0.35	0.41	0.47	0.57	0.56
Profitability Analysis	Return on Total Assets (%)	1.56	(1.42)	(1.30)	(0.70)	(0.68)	(12.81)
	Return on Equity (%)	2.20	(2.80)	(2.12)	(0.89)	(0.97)	(17.32)
	Pre-tax Income to Paid-in Capital Ratio (%)	9.18	(6.93)	(4.69)	2.40	0.18	(59.96)
	Net Margin (%)	2.87	(4.89)	(3.59)	(1.50)	(1.33)	(91.47)
	Earnings (Loss) Per Share (NT$)	0.79	(0.61)	(0.46)	(0.19)	(0.24)	(6.68)
Cash Flow	Cash Flow Ratio (%)	30.37	1.15	(16.35)	(34.01)	12.85	1.68
	Cash Flow Adequacy Ratio (%)	75.61	72.91	44.77	8.78	8.85	9.28
	Cash Flow Reinvestment Ratio (%)	2.26	(1.21)	(2.71)	(5.40)	2.13	0.29
Leverage	Operating Leverage	29.93	(4.40)	(6.58)	(5.34)	(10.94)	(1.17)
	Financial Leverage	2.74	0.89	0.92	1.00	0.96	1.00

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

Analysis of deviation over 20% of 2019 vs. 2018:

1. Decreased in long-term fund to property, plant and equipment (%): due to the capital reduction by cash and total equities decreased.
2. Increased in total assets turnover (times): mainly due to capital reduction by cash and total assets decreased.
3. Decreased in pre-tax income to paid-in capital ratio (%): due to the decreased in pre-tax income.
4. Increased in loss per share (NT$): due to capital reduction by cash and the weighted average number of ordinary shares outstanding decreased in losses per share calculation.
5. Increased in cash flow ratio (%): mainly due to net cash inflow increased from operating activities.
6. Increased in cash reinvestment ratio (%): explained as above.
7. Decrease in ratio of operating leverage: due to variable cost and operating loss decreased.

6.2.2 Financial Analysis - IFRSs (Parent Company Only)

Analysis Item		Financial analysis for past 5 years (Note1) 2015	2016	2017	2018	2019
Capital Structure Analysis	Debts Ratio (%)	31.76	31.30	11.94	11.34	14.34
	Long-term Fund to Property, Plant and Equipment (%)	7,589.75	7,468.78	6,393.95	6,988.15	4,294.14
Liquidity Analysis	Current Ratio (%)	525.56	291.58	182.06	165.39	210.15
	Quick Ratio (%)	509.90	290.26	178.68	157.56	192.59
	Times Interest Earned (Times)	7.64	(4.98)	(7.68)	0.00	0.00
Operating Performance Analysis	Average Collection Turnover (Times)	3.38	3.36	4.85	3.63	4.07
	Days Sales Outstanding	108	109	75	101	90
	Average Inventory Turnover (Times)	22.37	20.86	568.2	72.01	25.04
	Average Payment Turnover (Times)	2.91	2.63	3.49	2.74	3.09
	Average Inventory Turnover Days	16	17	1	5	15
	Property, Plant and Equipment Turnover (Times)	13.17	10.44	14.85	16.88	16.45
	Total Assets Turnover (Times)	0.18	0.12	0.19	0.23	0.26
Profitability Analysis	Return on Total Assets (%)	2.49	(1.48)	(1.45)	(0.79)	(0.85)
	Return on Equity (%)	3.19	(2.62)	(2.12)	(0.89)	(0.97)
	Pre-tax Income to Paid-in Capital Ratio (%)	8.37	(7.24)	(5.08)	(1.93)	(5.08)
	Net Margin (%)	11.95	(14.38)	(8.65)	(3.46)	(3.21)
	Earnings Per Share (NT$)	0.79	(0.61)	(0.46)	(0.19)	(0.24)
Cash Flow	Cash Flow Ratio (%)	35.52	37.02	34.48	(35.06)	(25.45)
	Cash Flow Adequacy Ratio (%)	73.98	79.56	120.64	96.59	80.4
	Cash Flow Reinvestment Ratio (%)	(1.03)	3.21	3.36	(3.32)	(2.92)
Leverage	Operating Leverage	(7.75)	(1.34)	(1.01)	(8.83)	(5.46)
	Financial Leverage	0.55	0.80	0.90	1.00	1.00

Note 1: The financial data has been conducted audits by CPA.

Analysis of deviation over 20% of 2019 vs. 2018:

1. Increased in Debts Ratio (%): due to the capital reduction by cash and total assets decreased.
2. Decreased in long-term fund to property, plant and equipment (%): due to the capital reduction by cash and total equities decreased.
3. Increased in current ration (%): due to current assets increased and current liabilities decreased.
4. Increased in quick ration: explained as above.
5. Decreased in average inventory turnover (times) and increased in average inventory turnover days: mainly due to net inventory increased.
6. Decreased in pre-tax income to paid-in capital ratio (%): due to the capital reduction by cash and paid-in capital decreased.
7. Increased in loss per share (NT$): due to capital reduction by cash and the weighted average number of ordinary shares outstanding decreased in losses per share calculation.
8. Increased in cash flow ratio (%): mainly due to the net cash outflow from operating activities and current liabilities decreased.
9. Increased in ratio of operating leverage: due to variable cost and operating loss increased.

The calculation formula of financial analysis is as follows:

1. Capital Structure Analysis
   (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. Liquidity Analysis
   (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 Analysis
   (1) Average Collection Turnover =Operating Revenue / 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 =Operating Revenue / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover =Operating Revenue / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Equity
   (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (4) Net Margin = Net Income /Operating Revenue
   (5) Earnings Per Share = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding

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)

6. Leverage
   (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Review Report

Audit Committee's Review Report

To: The 2020 Annual General Shareholders' Meeting of Silitech Technology Corporation

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Silitech Technology Corporation the 2019 Business Report, Financial Statements and the proposal of distribution of earnings. The Financial Statements have been duly audited by Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal of distribution of earnings have been examined and determined to be correct by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

Convener of the Audit Committee:

Mr. James Kuo

February 24, 2020

6.4 Financial Statement for the Most Recent Fiscal Year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 24, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Silitech Technology Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the audit of the Group's consolidated financial statements for the year ended December 31, 2019 were are described as follows:

Assessment of Allowance for Impairment Loss of Trade Receivables

The auditors are concerned about this matter as the net amount of trade receivables as of December 31, 2019 accounted for 13% of total assets, which is considered significant, and also because the assessment of the impairment loss of trade receivables involves management's significant judgment on accounting estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. As the provision of allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves significant judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management's assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt, and based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable made is reasonable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and verified if the allowance made for individual overdue trade receivables is sufficient.

2. We assessed the recoverability of the client's overdue trade receivables after the reporting period, in order to determine whether we need to set aside additional allowance for bad debt.

3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management and tested the accuracy and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables, refer to Note 4 to the consolidated financial statements. Refer to Notes 5 and 10 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Inventory Valuation Losses

The auditors are concerned this matter as the evaluation of the net realizable value of inventories involves significant judgment, particularly the estimation of allowance for outdated inventory valuation losses.

The audit procedures for testing the net realizable value of inventories are as follows:

1. We understood the management's policy of inventory valuation and the relevant internal controls.

2. We tested the accuracy and completeness of the inventory aging report.

3. We tested the carrying amount of the ending inventory, and obtained the latest information of purchases and sales to verify with management whether the inventories were evaluated using the lower of cost or net realizable value method, and tested the accuracy of the net realizable value of ending inventory through recalculation.

4 We assessed the appropriateness of the Group's valuation basis for the provision for inventory valuation losses and the reasonableness of the changes in the inventory valuation losses based on the inventory aging report.

5. We attended the inventory count at the end of year in order to evaluate the condition of the inventory and assess the reasonableness of the allowance made for inventory valuation loss due to outdated and obsolete inventory.

For the accounting policy on evaluating the allowance for inventory valuation losses, refer to Note 4 to the consolidated financial statements. Refer to Notes 5 and 11 for critical accounting judgments and key sources of estimation uncertainty.

Other Matter

We have also audited the parent company only financial statements of Silitech Technology Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with 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 Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2020

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

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,850,025	55	$ 2,660,470	56
Financial assets at fair value through profit or loss (FVTPL) (Notes 4 and 7)	1,857	-	1,614	-
Financial assets at amortized cost (Notes 9 and 29)	101,083	3	38,149	1
Other notes receivable (Note 10)	-	-	316,067	7
Trade receivables, net (Notes 4 and 10)	441,689	13	518,296	11
Trade receivables from related parties (Notes 4, 10 and 28)	5,572	-	9,044	-
Other receivables (Note 4)	26,261	1	145,725	3
Other receivables from related parties (Notes 4 and 28)	1,721	-	16,137	-
Current tax assets (Notes 4 and 23)	89	-	495	-
Inventories, net (Notes 4, 5 and 11)	178,987	6	187,750	4
Other current assets (Note 16)	58,279	2	78,686	2
Total current assets	2,665,563	80	3,972,433	84
NON-CURRENT ASSETS				
Financial assets at FVTPL (Notes 4 and 7)	27,429	1	28,103	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 4 and 8)	6,162	-	7,308	-
Investments accounted for using the equity method (Notes 4 and 13)	-	-	71,176	1
Property, plant and equipment, net (Notes 4 and 14)	454,030	14	502,160	11
Right-of-use assets (Notes 3, 4 and 15)	38,295	1	-	-
Intangible assets, net (Note 4)	2,259	-	3,366	-
Deferred tax assets (Notes 4 and 23)	140,148	4	139,652	3
Refundable deposits (Note 4)	2,046	-	2,153	-
Other non-current assets (Note 16)	9,467	-	17,631	-
Total non-current assets	679,836	20	771,549	16
TOTAL	$ 3,345,399	100	$ 4,743,982	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 4)	$ 350,129	11	$ 422,543	9
Trade payables to related parties (Note 28)	2,072	-	2,162	-
Other payables (Notes 4 and 17)	266,465	8	407,343	9
Other payables to related parties (Notes 4 and 28)	7,732	-	9,575	-
Current tax liabilities (Notes 4 and 23)	32,271	1	25,694	1
Provisions (Notes 4 and 18)	1,294	-	508	-
Lease liabilities - current (Notes 3, 4 and 15)	40,892	1	-	-
Other current liabilities	13,969	1	13,213	-
Total current liabilities	714,824	22	881,038	19
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 3, 4 and 15)	5,195	-	-	-
Net defined benefit liabilities (Notes 4 and 19)	70,479	2	65,237	1
Guarantee deposits (Note 4)	768	-	762	-
Deferred tax liabilities (Notes 4 and 23)	33,130	1	33,357	1
Total non-current liabilities	109,572	3	99,356	2
Total liabilities	824,396	25	980,394	21
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 20)				
Share capital				
Ordinary shares	600,000	18	1,793,838	38
Capital surplus	507,154	15	507,154	10
Retained earnings				
Legal reserve	1,109,766	33	1,109,766	23
Special reserve	282,841	9	139,742	3
Unappropriated earnings	305,752	9	495,929	11
Total retained earnings	1,698,359	51	1,745,437	37
Other equity	(284,510)	(9)	(282,841)	(6)
Total equity attributable to owners of the Parent Company	2,521,003	75	3,763,588	79
Total equity	2,521,003	75	3,763,588	79
TOTAL	$ 3,345,399	100	$ 4,743,982	100

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

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 28)	$ 2,295,774	100	$ 2,251,044	100
COST OF GOODS SOLD (Notes 11, 25 and 28)	(1,948,940)	(85)	(1,963,868)	(87)
GROSS PROFIT	346,834	15	287,176	13
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	(109,110)	(5)	(110,684)	(5)
General and administrative expenses	(203,648)	(9)	(208,378)	(9)
Research and development expenses	(119,548)	(5)	(124,020)	(6)
Expected credit (loss) gain	(191)	-	2,570	-
Total operating expenses	(432,497)	(19)	(440,512)	(20)
LOSS FROM OPERATIONS	(85,663)	(4)	(153,336)	(7)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	94,680	4	96,517	4
Other gains and losses (Notes 22 and 28)	(4,355)	-	157,115	7
Finance costs	(3,949)	-	-	-
Share of profit or loss of associates	664	-	(337)	-
Loss on impairment of property, plant and equipment	(296)	-	(56,904)	(2)
Total non-operating income and expenses	86,744	4	196,391	9
PROFIT BEFORE INCOME TAX	1,081	-	43,055	2
INCOME TAX EXPENSE (Notes 4 and 23)	(31,576)	(2)	(76,871)	(4)
NET LOSS FOR THE YEAR	(30,495)	(2)	(33,816)	(2)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,092)	-	(964)	-
Share of the other comprehensive income of associates accounted for using the equity method	21	-	12	-

(Continued)

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	$ (1,146)	-	$ (3,858)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	415	-	950	-
	(2,802)	-	(3,860)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(4,771)	-	(8,843)	-
Share of the other comprehensive income of associates accounted for using the equity method	535	-	1,578	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23)	847	-	6,522	-
	(3,389)	-	(743)	-
Other comprehensive loss for the year, net of income tax	(6,191)	-	(4,603)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (36,686)	(2)	$ (38,419)	(2)
NET LOSS ATTRIBUTABLE TO:				
Owners of the Parent Company	$ (30,495)	(1)	$ (33,816)	(2)
Non-controlling interests	-	-	-	-
	$ (30,495)	(1)	$ (33,816)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent Company	$ (36,686)	(2)	$ (38,474)	(2)
Non-controlling interests	-	-	55	-
	$ (36,686)	(2)	$ (38,419)	(2)
LOSS PER SHARE (IN NTD; Note 24)				
From continuing operations				
Basic	$ (0.24)		$ (0.19)	
Diluted	$ (0.24)		$ (0.19)	

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

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent Company												
							Other Equity						
	Share Capital			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Asset at FVTOCI	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				Treasury Shares	Total	Non-controlling Interests (Note 26)	Total Equity
BALANCE AT JANUARY 1, 2018	189,384	$ 1,893,838	$ 535,425	$ 1,109,766	$ 87,174	$ 550,255	$ (139,947)	$ 205	$ -	$ (234,654)	$ 2,194,609	$ 1,133	$ 2,195,742
Effect of retrospective application	-	-	-	-	-	138,383	-	(205)	(138,178)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	189,384	1,893,838	535,425	1,109,766	87,174	688,638	(139,947)	-	(138,178)	(234,654)	2,194,609	1,133	2,195,742
Appropriation of the 2017 earnings													
Special reserve	-	-	-	-	52,568	(52,568)	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,188)	(1,188)
Net loss for the year ended December 31, 2018	-	-	-	-	-	(33,816)	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	58	(798)	-	(3,918)	-	-	55	55
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(33,758)	(798)	-	(3,918)	-	-	55	55
Cancelation of treasury shares	(10,000)	(100,000)	(28,271)	-	-	(106,383)	-	-	-	234,654	106,383	-	106,383
BALANCE AT DECEMBER 31, 2018	179,384	1,793,838	507,154	1,109,766	139,742	495,929	(140,745)	-	(142,096)	-	2,300,992	-	2,300,992
Effect of retrospective application	-	-	-	-	-	(14,906)	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2019 AS RESTATED	179,384	1,793,838	507,154	1,109,766	139,742	481,023	(140,745)	-	(142,096)	-	2,300,992	-	2,300,992
Appropriation of the 2018 earnings													
Special reserve	-	-	-	-	143,099	(143,099)	-	-	-	-	-	-	-
Capital reduction by cash	(119,384)	(1,193,838)	-	-	-	-	-	-	-	-	(1,193,838)	-	(1,193,838)
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	2,927	-	(82)	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	-	-	-	(30,495)	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,677)	(3,389)	-	(1,125)	-	-	-	-
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(32,172)	(3,389)	-	(1,125)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	60,000	$ 600,000	$ 507,154	$ 1,109,766	$ 282,841	$ 305,752	$ (141,207)	$ -	$ (143,303)	$ -	$ 1,107,154	$ -	$ 1,107,154

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

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,081	$ 43,055
Adjustments for:		
Depreciation expenses	156,718	88,540
Amortization expenses	3,080	2,670
Expected credit recognized (reversed) on trade receivables	191	(2,570)
Net gain on fair value change of financial assets as at FVTPL	(3,487)	(921)
Finance costs	3,949	-
Interest income	(58,403)	(58,387)
Dividend income	(2,226)	(13,138)
Share of (profit) loss of associates	(664)	337
Net (gain) loss on disposal of property, plant and equipment	(624)	24,564
Loss on disposal of subsidiaries	-	26
Net gain on disposal of non-current assets held for sale	-	(162,819)
Impairment loss recognized on property, plant and equipment	296	56,904
Impairment loss on investments accounted for using the equity method	7,986	-
Disposal of inventories	12,143	6,640
Changes in operating assets and liabilities		
Financial assets held for trading	-	(98)
Financial assets mandatorily classified as at FVTPL	3,243	162
Notes receivable	-	46
Trade receivables	76,416	(52,048)
Trade receivables from related parties	3,472	72
Other receivables	12,317	(17,511)
Other receivables from related parties	14,416	(1,740)
Inventories	(3,380)	(73,665)
Other current assets	20,407	26,343
Notes payable	-	(18,618)
Trade payables	(72,414)	(38,565)
Trade payables to related parties	(90)	1,253
Other payables	(112,549)	(41,560)
Other payables to related parties	(1,843)	(1,545)
Provisions	786	(2,129)
Other current liabilities	(162)	(13,371)
Net defined benefit liabilities	3,150	(14,660)
Cash generated from (used in) operations	63,809	(262,733)
Interest received	56,046	30,435
Dividends received	2,226	13,138
Interest paid	(3,949)	-
Income tax paid	(26,261)	(80,514)
Net cash generated from (used in) operating activities	91,871	(299,674)

(Continued)

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	$ (658,270)	$ (2,235,066)
Proceeds from sale of financial assets at amortized cost	594,233	3,009,589
Net cash inflow on disposal of associates	67,311	-
Loss on liquidation of subsidiaries	-	(26)
Proceeds from disposal of non-current assets held for sale	422,389	602,067
Payments for property, plant and equipment	(77,986)	(129,143)
Proceeds from disposal of property, plant and equipment	636	2,563
Decrease in refundable deposits	107	3,958
Payments for intangible assets	(2,020)	(5,128)
Dividends received from associates	675	669
Net cash generated from investing activities	347,075	1,249,483
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(60,690)	-
Capital reduction payments to shareholders	(1,193,838)	-
Proceeds from guarantee deposits received	6	(50)
Decrease in non-controlling interests	-	(1,188)
Net cash used in financing activities	(1,254,522)	(1,238)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	5,131	(406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(810,445)	948,165
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,660,470	1,712,305
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,850,025	$ 2,660,470

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

1. GENERAL INFORMATION

Silitech Technology Corporation (the "Parent Company") was established in October 2001 and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Parent Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Parent Company will generally accept the rubber division of Silitek Corporation (the "division"). The proposal was approved in the shareholders' meeting on May 17, 2002. The Parent Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The Parent Company's parent is Lite-On Technology Corporation, which owns 33.87% of their total ordinary shareholdings as of December 31, 2019 and 2018.

The consolidated financial statements of the Parent Company and its subsidiaries, hereto forth collectively referred to as the Group, are presented in the Parent Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent Company's board of directors and authorized for issue on February 24, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   - IFRS 16 "Leases"

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities since the commencement date. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

3) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 4.75%-5.94%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 116,807
Less: Recognition exemption for short-term leases and leases of low-value assets	(2,608)
Undiscounted amount on January 1, 2019	$ 114,199
Discounted amount using the incremental borrowing rate recognized on January 1, 2019	$ 108,638

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Right-of-use assets	$ -	$ 93,732	$ 93,732
Total effect on assets	$ -	$ 93,732	$ 93,732
Lease liabilities - current	$ -	$ 60,627	$ 60,627
Lease liabilities - non-current	-	48,011	48,011
Total effect on liabilities	$ -	$ 108,638	$ 108,638
Retained earnings	$ 1,745,437	$ (14,906)	$ 1,730,531
Total effect on equity	$ 1,745,437	$ (14,906)	$ 1,730,531

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

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (i.e., its subsidiaries). Income and expenses of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13 and Table 6 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Parent Company and its foreign operations (including subsidiaries and associates that use currencies which are different from the currency of the Parent Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Parent Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group’s share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment’s fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate.

Profits and losses resulting from the Group's downstream, upstream and sidestream transactions with its associates are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost including trade receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Parent Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

m. Revenue recognition

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

n. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.
B

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 297	$ 424
Checking accounts and demand deposits	464,263	332,401
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,385,465	2,327,645
	$ 1,850,025	$ 2,660,470

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2019	2018
Time deposits	0.63%-3.33%	0.55%-3.6%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	$ 1,857	$ 1,614
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 27,429	$ 28,103

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Forward exchange contracts	USD/MYR	2020.01.07-2020.03.06	USD1,940/MYR8,050
	EUR/MYR	2020.01.10-2020.03.17	EUR300/MYR1,405
	RMB/MYR	2020.01.16	RMB1,000/MYR590
	USD/RMB	2020.01.17-2020.02.14	USD2,250/RMB15,803
December 31, 2018			
Forward exchange contracts	USD/MYR	2019.01.07-2019.03.06	USD1,980/MYR8,267
	EUR/MYR	2019.01.25-2019.03.27	EUR310/MYR1,488
	USD/RMB	2019.01.14-2019.02.15	USD3,000/RMB20,758

The Group entered into forward exchange contracts to manage their exposures to risk arising from the exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FVTOCI

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Non-current		
Domestic investments		
Unlisted ordinary shares	$ 6,162	$ 7,308

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Restricted bank deposits (a)	$ 92,965	$ 22,416
Time deposits with original maturities of more than 3 months (b and c)	8,118	15,733
	$ 101,083	$ 38,149

a. Restricted bank deposits mainly refer to bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period. The ranges of interest rates for restricted bank deposits were approximately 3.35%-3.40% and 4.05% per annum as of December 31, 2019 and 2018, respectively.

b. The interest rate ranges for time deposits with original maturities of more than 3 months were 1.95% and 1.43% per annum as of December 31, 2019 and 2018, respectively.

c. Refer to Note 29 for information related to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2019	2018
Other notes receivable		
At amortized cost		
Gross carrying amount	$ -	$ 316,067
Less: Allowance for impairment loss	-	-
	$ -	$ 316,067
Notes receivable - non-operating	$ -	$ 316,067

On July 19, 2018, the Group signed a contract with Suzhou Xu Die Industrial Co., Ltd. for the sale of property, plant and equipment and investment properties in Suzhou for RMB235,000 thousand. According to the contract, the third collection amount was RMB70,500 thousand and was recognized as other notes receivable. The Group received the payment on January 15, 2019.

	December 31	
	2019	**2018**
Trade receivables		
At amortized cost		
Gross carrying amount	$ 447,835	$ 530,718
Less: Allowance for impairment loss	(574)	(3,378)
	$ 447,261	$ 527,340

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Parent Company has regularly evaluated credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	**Up to 60 Days**	**61 to 210 Days**	**Over 210 Days**	**Total**
Expected credit loss rate	-	0.39%	70%	100%	
Gross carrying amount	$ 442,334	$ 4,878	$ 226	$ 397	$ 447,835
Loss allowance (Lifetime ECLs)	-	(19)	(158)	(397)	(574)
Amortized cost	$ 442,334	$ 4,859	$ 68	$ -	$ 447,261

December 31, 2018

	Not Past Due	Up to 60 Days	61 to 210 Days	Over 210 Days	Total
Expected credit loss rate	-	0.24%	-	100%	
Gross carrying amount	$ 507,558	$ 19,830	$ -	$ 3,330	$ 530,718
Loss allowance (Lifetime ECLs)	-	(48)	-	(3,330)	(3,378)
Amortized cost	$ 507,558	$ 19,782	$ -	$ -	$ 527,340

The movements of the loss allowance of trade receivables are as follows:

	2019	2018
Balance at January 1	$ 3,378	5,086
Add: Amounts recovered	358	927
Add: Expected credit loss (gain)	191	(2,570)
Loss: Amounts written off	(3,333)	-
Foreign exchange translation	(20)	(65)
Balance at December 31	$ 574	$ 3,378

11. INVENTORIES, NET

	December 31	
	2019	2018
Raw materials	$ 67,650	$ 61,105
Finished goods	53,771	64,398
Work in progress	44,948	40,919
Merchandise	7,612	16,214
Inventory in transit	3,082	4,337
Supplies	1,924	777
	$ 178,987	$ 187,750

The cost of inventories recognized as cost of goods sold included the inventory reversals and disposals.

	For the Year Ended December 31	
	2019	2018
Inventory reversals	$ (4,261)	$ (5,118)
Loss of inventory scrapped	12,143	6,640

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31 2019	% of Ownership December 31 2018	Remark
The Parent Company	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Hong Kong) Holding Ltd.	Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of rubber assembly and automotive parts	100.00	100.00	a.
Silitech Technology Corporation Limited	Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture and sale of touch panels and plastic and rubber assembly	100.00	100.00	-

Remark:

a. On April 25, 2019, the board of directors resolved to dissolve and liquidate Silitech Technology (Suzhou) Co., Ltd, which completed its liquidation procedures on January 13, 2020.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31 2019	December 31 2018
Lite-On Japan Ltd.	$ -	$ 71,176

Name of Company	Proportion of Ownership and Voting Rights December 31 2019	Proportion of Ownership and Voting Rights December 31 2018
Lite-On Japan Ltd.	-	7.87%

Refer to Table 6 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

On June 3, 2019, the Parent Company's board of directors resolved to sell all of its shares of its associate Lite-On Japan Ltd. to Lite-On Technology Corporation through a tender offer agreement at a cash price of JPY240 per share. Lite-On Technology Corporation acquired Lite-On Japan Ltd.'s shares from June 4 to July 16, 2019, and the Parent Company completed the collection of payment on July 24, 2019. When the Parent Company reclassified Lite-On Japan Ltd. from investments accounted for using the equity method - associates to non-current assets held for sale, the fair value of investments accounted for using the equity method - associates was lower than the carrying value on the date of resolution of disposal, and the difference was recognized as an impairment loss which was presented in other gains and losses. The amount of loss recognized in profit or loss as a result of this transaction is calculated as follows:

Proceeds from disposal of Lite-On Technology Corporation	$ 67,311
Less: Carrying value of investment on the date of resolution of disposal	(75,379)
Add: Unrealized gain on financial assets at FVTOCI	82
Loss recognized (presented in other gains and losses)	$ (7,986)

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2018 was based on the associate's financial statements which have been audited for the same year.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	**December 31, 2018**
Lite-On Japan Ltd.	$ 45,718

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Lite-On Japan Ltd.

	December 31, 2018
Current assets	$ 1,647,044
Non-current assets	105,209
Current liabilities	(948,086)
Non-current liabilities	(73,503)
Equity	$ 730,664
Proportion of the Group's ownership	7.87%
Equity attributable to the Group	$ 57,526
Goodwill	13,650
Carrying amount	$ 71,176

	For the Year Ended December 31, 2018
Operating revenue	$ 3,741,635
Net loss for the year	$ (4,732)
Other comprehensive loss	(14,028)
Total comprehensive loss for the year	$ (18,760)
Dividends received from Lite-On Japan, Ltd.	$ 669

14. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Equipment Held under Finance Leases	Office Equipment	Other Equipment	Total
Cost									
Balance at January 1, 2019	$ 43,990	$ 316,240	$ 1,054,816	$ 155,685	$ 13,840	$ 473,034	$ 117,825	$ 18,363	$ 2,193,793
Additions	-	-	53,187	1,764	-	-	9,708	1,039	65,698
Disposals	-	(4,386)	(32,428)	(17,543)	-	-	(4,472)	(3,211)	(62,040)
Effects of foreign currency exchange differences	(280)	(1,208)	(27,818)	(2,493)	(289)	(18,917)	(1,975)	(142)	(53,122)
Balance at December 31, 2019	$ 43,710	$ 310,646	$ 1,047,757	$ 137,413	$ 13,551	$ 454,117	$ 121,086	$ 16,049	$ 2,144,329
Accumulated depreciation									
Balance at January 1, 2019	$ -	$ 221,375	$ 696,887	$ 119,503	$ 13,392	$ 308,263	$ 87,040	$ 13,654	$ 1,460,114
Depreciation expenses	-	8,375	51,121	5,699	256	24,360	11,108	1,905	102,824
Disposals	-	(3,295)	(24,302)	(16,872)	-	-	(4,368)	(2,125)	(50,962)
Transfers from accumulated impairment	-	-	33,043	2,580	153	18,124	2,029	181	56,110
Effects of foreign currency exchange differences	-	(814)	(19,568)	(1,760)	(288)	(14,073)	(1,340)	(111)	(37,954)
Balance at December 31, 2019	$ -	$ 225,641	$ 737,181	$ 109,150	$ 13,513	$ 336,674	$ 94,469	$ 13,504	$ 1,530,132
Accumulated impairment									
Balance at January 1, 2019	$ -	$ 1,155	$ 151,946	$ 17,528	$ 153	$ 55,426	$ 3,290	$ 2,021	$ 231,519
Impairment losses	-	-	296	-	-	-	-	-	296
Disposals	-	(1,091)	(8,126)	(670)	-	-	(94)	(1,085)	(11,066)
Transfers to accumulated depreciation	-	-	(33,043)	(2,580)	(153)	(18,124)	(2,029)	(181)	(56,110)
Effects of foreign currency exchange differences	-	-	(2,644)	(342)	-	(1,472)	(14)	-	(4,472)
Balance at December 31, 2019	$ -	$ 64	$ 108,429	$ 13,936	$ -	$ 35,830	$ 1,153	$ 755	$ 160,167
Net balance at December 31, 2019	$ 43,710	$ 84,941	$ 202,147	$ 14,327	$ 38	$ 81,613	$ 25,464	$ 1,790	$ 454,030
Cost									
Balance at January 1, 2018	$ 43,782	$ 314,595	$ 1,210,171	$ 164,306	$ 13,944	$ 465,376	$ 110,500	$ 17,218	$ 2,339,892
Additions	-	750	72,521	8,926	-	21,760	22,335	1,585	127,877
Disposals	-	-	(215,521)	(16,308)	-	(4,738)	(14,324)	(398)	(251,289)
Effects of foreign currency exchange differences	208	895	(12,355)	(1,239)	(104)	(9,364)	(686)	(42)	(22,687)
Balance at December 31, 2018	$ 43,990	$ 316,240	$ 1,054,816	$ 155,685	$ 13,840	$ 473,034	$ 117,825	$ 18,363	$ 2,193,793
Accumulated depreciation									
Balance at January 1, 2018	$ -	$ 212,642	$ 848,239	$ 129,241	$ 12,987	$ 300,753	$ 93,874	$ 12,277	$ 1,610,013
Depreciation expenses	-	8,320	47,889	5,341	497	17,941	6,771	1,781	88,540
Disposals	-	-	(191,858)	(14,364)	-	(4,341)	(13,179)	(360)	(224,102)
Effects of foreign currency exchange differences	-	413	(7,383)	(715)	(92)	(6,090)	(426)	(44)	(14,337)
Balance at December 31, 2018	$ -	$ 221,375	$ 696,887	$ 119,503	$ 13,392	$ 308,263	$ 87,040	$ 13,654	$ 1,460,114
Accumulated impairment									
Balance at January 1, 2018	$ -	$ 1,155	$ 120,316	$ 15,128	$ -	$ 38,067	$ 1,285	$ 1,841	$ 177,792
Impairment losses	-	-	33,511	2,616	155	18,381	2,057	184	56,904
Disposals	-	-	(44)	(4)	-	-	(12)	-	(60)
Effects of foreign currency exchange differences	-	-	(1,837)	(212)	(2)	(1,022)	(40)	(4)	(3,117)
Balance at December 31, 2018	$ -	$ 1,155	$ 151,946	$ 17,528	$ 153	$ 55,426	$ 3,290	$ 2,021	$ 231,519
Net balance at December 31, 2018	$ 43,990	$ 93,710	$ 205,983	$ 18,654	$ 295	$ 109,345	$ 27,495	$ 2,688	$ 502,160

As a result of the life cycle of some products, the estimated future cash flows from the related equipment decreased due to idling cause by insufficient productivity. The Group carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2019 and 2018, the accumulated impairment losses recognized were $160,167 thousand and $231,519 thousand, respectively. For the years ended December 31, 2019 and 2018, the accumulated impairment amount decreased due to disposal of equipment and were $11,066 thousand and $60 thousand.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant structures	24-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Equipment held under finance leases	2-10 years
Office equipment	3-10 years
Other equipment	2-5 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 38,295

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Buildings	$ 53,894

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 40,892
Non-current	$ 5,195

Range of discount rates for lease liabilities was as follows:

	December 31, 2019
Buildings	4.75%-5.94%

c. Material lease activities and terms (the Group is lessee)

The Group leases certain buildings for product manufacturing and for dormitories with lease terms of 3 to 14 years and with no renewal option. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	$ 2,853
Total cash outflow for leases	$ 64,639

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	$ 67,180
Later than 1 year and not later than 5 years	49,627
	$ 116,807

16. OTHER ASSETS

	December 31	
	2019	2018
Current		
Prepayments for tax	$ 19,568	$ 20,048
Input tax	7,849	16,908
Others	30,862	41,730
	$ 58,279	$ 78,686
Non-current		
Prepayments for equipment	$ 9,467	$ 17,631

17. OTHER PAYABLES

	December 31	
	2019	2018
Payroll	$ 109,658	$ 119,595
Tooling	32,464	52,021
Employee leave	16,462	16,202
Services	11,272	12,585
Utilities/post and telecommunications	8,306	8,437
Equipment	3,415	31,744
Commission	1,311	51,110
Others	83,577	115,649
	$ 266,465	$ 407,343

18. PROVISIONS

	December 31	
	2019	2018
Current		
Returns and allowance	$ 1,294	$ 508

The provision of customer returns and allowance was based on historical experience, management's judgments and other known reasons estimated product returns and allowance may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods were sold.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Parent Company of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Parent Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Parent Company contribute amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The subsidiary - Silitech Technology Corp. Sdn. Bhd adopted the defined benefit plan.

The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31 2019	December 31 2018
Present value of defined benefit obligation	$ 108,293	$ 100,134
Fair value of plan assets	(37,814)	(34,897)
Net defined benefit liabilities	$ 70,479	$ 65,237

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 93,300	$ (14,367)	$ 78,933
Current service cost	3,535	-	3,535
Net interest expense (income)	1,752	(170)	1,582
Recognized in profit or loss	5,287	(170)	5,117
Remeasurement			
Return on plan assets	-	(483)	(483)
Actuarial loss - changes in demographic assumptions	2,655	-	2,655
Actuarial loss - changes in financial assumptions	872	-	872
Actuarial gain - experience adjustments	(2,080)	-	(2,080)
Recognized in other comprehensive income (loss)	1,447	(483)	964
Contributions from the employer	-	(19,877)	(19,877)
Exchange differences on foreign plans	100	-	100
Balance at December 31, 2018	100,134	(34,897)	65,237
Current service cost	3,473	-	3,473
Net interest expense (income)	1,762	(357)	1,405
Recognized in profit or loss	5,235	(357)	4,878
Remeasurement			
Return on plan assets	-	(1,055)	(1,055)
Actuarial loss - changes in demographic assumptions	1,480	-	1,480
Actuarial loss - changes in financial assumptions	3,755	-	3,755
Actuarial gain - experience adjustments	(2,088)	-	(2,088)
Recognized in other comprehensive income (loss)	3,147	(1,055)	2,092
Contributions from the employer	-	(1,505)	(1,505)
Exchange differences on foreign plans	(223)	-	(223)
Balance at December 31, 2019	$ 108,293	$ (37,814)	$ 70,479

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

	For the Year Ended December 31	
	2019	**2018**
Operating costs	$ 2,494	$ 2,344
Selling and marketing expenses	609	643
General and administrative expenses	1,172	1,456
Research and development expenses	603	674
	$ 4,878	$ 5,117

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.75%-3.5%	1%-4.375%
Expected rate(s) of salary increase	3%-4.75%	3%-4.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (2,460)	$ (2,413)
0.25% decrease	$ 2,545	$ 2,499
Expected rate(s) of salary increase		
0.25% increase	$ 2,458	$ 2,423
0.25% decrease	$ (2,389)	$ (2,352)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 1,576	$ 1,624
The average duration of the defined benefit obligation	8.9-13.3 years	9.5-13.8 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	60,000	179,384
Amount of shares issued	$ 600,000	$ 1,793,838

On June 12, 2019, the Parent Company resolved in their shareholders' meeting to implement a capital reduction in cash of $1,193,838 thousand, cancelling 119,384 thousand ordinary shares, and the capital reduction ratio was 66.552167%. The above mentioned proposal was approved and declared effective by the FSC. The record date of capital reduction was set as July 26, 2019, and the refund of shares to shareholders was completed on September 27, 2019.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 507,154	$ 507,154

Such capital surplus may be used to offset a deficit; in addition, when the Parent Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Parent Company's paid in capital and only once a year).

c. Retained earnings and dividend policy

In the shareholders' meeting held on June 12, 2019, the shareholders of the Company resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividend policy as set forth in the amended Articles, if there is a net profit after tax upon the final settlement of accounts of each fiscal year, the Parent Company shall first offset any previous accumulated losses (including adjustment of unappropriated earnings, if any) and set aside a legal reserve at 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Parent Company; then set aside or reverse a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings, if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval. For the policies on the distribution of employees' compensation and remuneration of directors before and after the amendment, refer to Note 25 (b): Employee benefits expenses.

The Parent Company's dividend policy is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Parent Company shall set aside share dividends at no less than 70% of the net profit. Dividends could be distributed either through cash or shares, and cash dividends shall not be less than 90% of the total dividends distributed for the year.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

The Parent Company may appropriate earnings or offset deficit at the end of every quarter according to company policy. During the appropriation of earnings, the Parent Company should estimate and retain the statutory tax payable, offset deficit and set aside as legal reserve in accordance with policy, except when the legal reserve has reached the Parent Company's paid-in capital.

Cash distribution of the Company's earnings shall be resolved in the board of directors' meeting. Distribution of earnings in the form of new shares shall be resolved in the shareholders' meeting in accordance with the regulations.

Under the dividend policy as set forth in the Articles before the amendments, if there is net profit after tax upon the final settlement of accounts of each fiscal year, the Parent Company shall first offset any previous accumulated losses and set aside a legal reserve at 10% of the net profit, until the accumulated legal reserve is equal to the total capital of the Parent Company; then set aside a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the unappropriated earnings at the beginning of the period, shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval.

The Parent Company's dividend policy before the amendments to the Articles is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competitive conditions while simultaneously meeting shareholders' interests. The Parent Company shall distribute cash dividends at no less than 10% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Parent Company's paid-in capital. The legal reserve may be used to offset deficit. If the Parent Company has no deficit and the legal reserve has exceeded 25% of the Parent Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Parent Company should appropriate or reverse a special reserve.

The Parent Company resolved in their board of directors' meeting on February 24, 2020 that there would be no distribution of cash dividends for the current year.

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 12, 2019 and 2018, respectively, are as follows:

	Appropriation of Earnings	
	2018	**2017**
Special reserve	$ 143,099	$ 52,568

The Parent Company proposed to amend the Company's Articles of Incorporation in their board of directors' meeting on February 24, 2020, which is to abolish the policy of distribution of retained earnings and offset of deficit at the end of every quarter. As the Parent Company reported a net loss in 2019, the board of directors proposed that other than the appropriation of $1,669 thousand to the special reserve, no dividends will be distributed. The aforementioned proposals will be resolved in the shareholders' meeting estimated to be held on June 18, 2020.

d. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2018	10,000
Decrease during the year	(10,000)
Number of shares at December 31, 2018	-

Under the Securities and Exchange Act, the Parent Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The repurchased ordinary shares for transfer to employees have expired and have not been transferred. The Parent Company's board of directors approved the retirement of 10,000 thousand treasury shares on July 26, 2018. The record date for capital reduction was July 27, 2018.

21. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as "product sales revenue". The Parent Company's core technology is to the integrate rubber, plastic, optical and other components, which are widely used in industries and products such as mechanical integration components and automotive components.

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
From bank deposits	$ 55,601	$ 28,020
From financial assets at amortized cost	2,802	30,367
Rental income	3,941	3,502
Dividend income	2,226	13,138
Others	30,110	21,490
	$ 94,680	$ 96,517

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Disposal of property, plant and equipment	$ 624	$ (24,564)
Disposal of held for sale assets	-	162,819
Foreign currency exchange	84	11,872
Net gain on financial assets mandatorily classified as at FVTPL	3,487	921
Impairment loss on investments in associates accounted for using the equity method	(7,986)	-
Others	(564)	6,067
	$ (4,355)	$ 157,115

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 62,933	$ 112,556
Foreign exchange losses	(62,849)	(100,684)
	$ 84	$ 11,872

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 36,694	$ 80,710
Adjustments for prior year	(2,532)	1,081
	34,162	81,791
Deferred tax		
In respect of the current year	(2,586)	(4,167)
Effect on tax rate change	-	(753)
	(2,586)	(4,920)
Income tax expense recognized in profit or loss	$ 31,576	$ 76,871

A reconciliation of accounting profit and income tax expense as follows:

	For the Year Ended December 31	
	2019	2018
Income before income tax	$ 1,081	$ 43,055
Income tax expense calculated at the statutory rate	$ 27,315	$ 31,111
Nondeductible items in determining taxable income	9,287	10,056
Tax-exempt income	(6,242)	(4,572)
Land value increment tax	-	52,132
Unrecognized loss carryforwards/deductible temporary differences	2,940	(16,136)
Effect on tax rate change	-	(753)
Adjustments for prior year	(2,532)	1,081
Other	808	3,952
Income tax expense recognized in profit or loss	$ 31,576	$ 76,871

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 15%. The applicable tax rate used by subsidiaries in Malaysia is 24%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

The subsidiary, Xurong Electronic (Shenzhen) Ltd., qualified as a “national high-tech industrial enterprise” in China, hence corporate income tax was reduced from 25% to 15% starting from 2015.

b. Current tax assets and liabilities

	December 31 2019	December 31 2018
Current tax assets		
Tax refund receivable	$ 89	$ 495
Current tax liabilities		
Income tax payable	$ 32,271	$ 25,694

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Compre-hensive Income (Loss)	Reclassified From Equity to Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets						
Temporary differences						
Unrealized loss on inventories	$ 1,465	$ (637)	$ -	$ -	$ (15)	$ 813
Unrealized exchange loss	237	121	-	-	-	358
Defined benefit obligation	13,772	775	415	-	(53)	14,909
Payables for annual leave	1,072	(52)	-	-	(13)	1,007
Loss carryforwards	79,436	3,672	-	-	(2,156)	80,952
Exchange differences on translating the financial statements of foreign operations	35,186	-	847	(733)	-	35,300
Others	8,484	(1,520)	-	-	(155)	6,809
	$ 139,652	$ 2,359	$ 1,262	$ (733)	$ (2,392)	$ 140,148
Deferred tax liabilities						
Temporary differences						
Unrealized exchange gain	$ 257	$ 527	$ -	$ -	$ -	$ 784
Land value increment tax	9,477	-	-	-	-	9,477
Unappropriated earnings of subsidiaries	23,623	(754)	-	-	-	22,869
	$ 33,357	$ (227)	$ -	$ -	$ -	$ 33,130

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary difference					
Unrealized loss on inventories	$ 2,413	$ (938)	$ -	$ (10)	$ 1,465
Unrealized exchange loss	307	(70)	-	-	237
Defined benefit obligation	14,259	(1,466)	965	14	13,772
Payables for annual leave	868	214	-	(10)	1,072
Loss carryforwards	68,881	11,523	-	(968)	79,436
Exchange differences on translating the financial statements of foreign operations	28,664	-	6,522	-	35,186
Others	15,937	(7,446)	(15)	8	8,484
	$ 131,329	$ 1,817	$ 7,472	$ (966)	$ 139,652
Deferred tax liabilities					
Temporary difference					
Unrealized exchange gain	$ 408	$ (151)	$ -	$ -	$ 257
Land value increment tax	9,477	-	-	-	9,477
Unappropriated earnings of subsidiaries	26,575	(2,952)	-	-	23,623
	$ 36,460	$ (3,103)	$ -	$ -	$ 33,357

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2019	December 31 2018
Loss carryforwards		
Expiry in 2027	$ 604	$ -
Expiry in 2028	158,329	178,821
Expiry in 2029	205,900	-
	$ 364,833	$ 178,821
Deductible temporary differences		
Impairment loss of property, plant and equipment	$ 52,014	$ 122,968

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	Year of Expiry
$ 141,079	2026
281,490	2027
227,206	2028
205,900	2029
$ 855,675	

f. Income tax assessments

The income tax returns of the Parent Company for all years through 2017 have been assessed by the tax authorities.

24. LOSS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic loss per share	$ (0.24)	$ (0.19)
Diluted loss per share	$ (0.24)	$ (0.19)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Year Ended December 31	
	2019	**2018**
Net loss for the year		
Loss for the year attributable to owners of the Parent Company	$ (30,495)	$ (33,816)

Shares

Unit: In Thousand Shares

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic loss per share	127,378	179,384
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	127,378	179,384

If the Parent Company settles the bonuses or remuneration paid to employees in cash or shares, the Parent Company presumed that the entire amount of the bonuses or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 102,824	$ 88,540
Right-of-use assets	53,894	-
Intangible assets	3,080	2,670
	$ 159,798	$ 91,210
An analysis of depreciation by function		
Recognized in operating costs	$ 135,227	$ 68,248
Recognized in operating expenses	21,491	20,292
	$ 156,718	$ 88,540
An analysis of amortization by function		
Recognized in operating costs	$ 125	$ -
Recognized in operating expenses	2,955	2,670
	$ 3,080	$ 2,670

b. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 19)		
Defined contribution plans	$ 29,144	$ 25,644
Defined benefit plans	4,878	5,117
	34,022	30,761
Other employee benefits	821,031	887,679
	$ 855,053	$ 918,440
Employee benefits expense summarized by function		
Recognized in operating costs	$ 561,582	$ 628,142
Recognized in operating expenses	293,471	290,298
	$ 855,053	$ 918,440

The Parent Company’s Articles of Incorporation stipulate the distribution of employees’ compensation and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors and supervisors.

As the Parent Company reported net losses for the years ended December 31, 2019 and 2018, no employees’ compensation and remuneration to directors and supervisors were estimated. The board of directors resolved not to distribute employees’ compensation and remuneration to directors and supervisors for the years ended December 31, 2019 and 2018 in their meetings on February 24, 2020 and February 25, 2019, respectively.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on employees' compensation and remuneration of directors and supervisors resolved by the Parent Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. CAPITAL MANAGEMENT

The Group maintains its capital to support equipment upgrades. The Group's capital management is to ensure there are sufficient financial resources and operation plans, in order to meet the needs of working capital, capital expenditures, research and development fees, debt repayment and dividend distribution over the next 12 months.

27. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,857	$ -	$ 1,857
Mutual funds	-	27,429	-	27,429
	$ -	$ 29,286	$ -	$ 29,286
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 6,162	$ 6,162

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,614	$ -	$ 1,614
Mutual funds	-	28,103	-	28,103
	$ -	$ 29,717	$ -	$ 29,717
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 7,308	$ 7,308

There were no transfers between Levels 1 and 2 as of the years ended December 31, 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivative instruments - forward exchange contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Mutual funds	Using the average price of observable similar market transactions or the price of similar tools provided by the mutual fund management company.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as follows. An increase in long-term revenue growth rates or long-term pre-tax operating margins or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Mandatorily classified as at FVTPL	$ 29,286	$ 29,717
Financial assets at amortized cost (1)	2,428,397	3,706,041
Financial assets at FVTOCI	6,162	7,308
Financial liabilities		
Amortized cost (2)	501,046	706,588

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables, other receivables and guarantee deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Group's financial performance due to market fluctuation.

The corporate treasury function is reviewed by the Group's board of directors and audit committee in accordance with related rules and internal control systems. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Group's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (including forward exchange contracts and currency swap contracts). The Group could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Group's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

The carrying amounts of the Group's derivative financial instruments at the end of the reporting period are as follows:

	December 31	
	2019	**2018**
Assets		
USD	$ 1,616	$ 1,504
EUR	217	110
RMB	24	-

Sensitivity analysis

The Group was mainly affected by the USD and the RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the NTD against the USD and the RMB. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit associated with the NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of the NTD against the USD and the RMB, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact (i)		**RMB Impact (ii)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 7,900	$ 11,401	$ 6,809	$ 6,759

i. This was mainly attributable to the exposure on outstanding receivables and financial assets at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB in cash flow hedges at the end of the reporting period.

b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments and cash flow as a result of changes in the market rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 1,486,548	$ 2,365,794
Cash flow interest rate risk		
Financial assets	422,661	308,302

<u>Sensitivity analysis</u>

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's profit or loss would be as follows:

	Market Rate Change Impact	
	2019	**2018**
Profit or loss	$ 423	$ 308

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business-related credit risk

To maintain the quality of receivables, the Group has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer’s financial position, credit agency rating, the Group’s internal credit rating, and transaction history as well as current economic conditions that may affect the customer’s ability to pay. The Group also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Group’s concentration of credit risk of 78% and 77% of total trade receivables as of December 31, 2019 and 2018, respectively, was related to the Group’s ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Group’s finance department. However, since the Group’s counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Group has financial flexibility.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group’s remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Year	**1-3 Years**	**Over 3 Years to 5 Years**	**5+ Years**	**Total**
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 626,435	$ -	$ -	$ 732	$ 627,167
Lease liabilities	40,892	3,360	1,835	-	46,087
	$ 667,327	$ 3,360	$ 1,835	$ 732	$ 673,254

Additional information about the maturity analysis for undiscounted lease liabilities

	Less than 1 Year	1-5 Years	Total
Lease liabilities	$ 41,955	$ 5,684	$ 47,639

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 841,623	$ -	$ -	$ 762	$ 842,385
Variable interest rate liabilities	-	-	-	-	-
	$ 841,623	$ -	$ -	$ 762	$ 842,385

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Group
Lite-On Technology Corporation	The Parent Company's parent
Lite-On Japan Ltd.	Subsidiary of Lite-On Technology Corporation (associate before July 24, 2019, refer to Note 13 for the details)
Lite-On Electronics (Guangzhou) Limited	Subsidiary of Lite-On Technology Corporation
Lite-On Technology (Changzhou) Co., Ltd.	Subsidiary of Lite-On Technology Corporation
Lite-On Mobile India Private Limited (former Name: Perlos Telecommunication & Electronic Components India Pvt Ltd.)	Subsidiary of Lite-On Technology Corporation
Lite-On Integrated Service Inc.	Subsidiary of Lite-On Technology Corporation
Chi Mei Mold Co., Ltd.	Other related party
Lite-On Semiconductor Corp.	Other related party
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party
Silport Travel Corp.	Related party in substance

b. Sales of goods

Item	Related Party Category	For the Year Ended December 31 2019	2018
Sales of goods	Subsidiary of Lite-On Technology Corporation	$ 51,129	$ 13,598
	Other related parties	3,746	-
	The Parent Company's parent	1,134	1,316
		$ 56,009	$ 14,914

The sale of goods to related parties were made at the Parent Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31 2019	2018
Other related parties	$ 6,678	$ 3,740

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31 2019	2018
Operating expenses	The Parent Company's parent	$ 5,450	$ 4,368
	Other related parties	4,069	3,865
	Related party in substance	1,238	1,346
	Subsidiaries of Lite-On Technology Corporation	736	841
		$ 11,493	$ 10,420
Other revenue	Other related parties	$ 1,431	$ 2,457
	Subsidiaries of Lite-On Technology Corporation	-	1,048
	The Parent Company's parent	-	409
		$ 1,431	$ 3,914

The Parent Company leases offices to Chi Mei Mold Co., Ltd. (other related party) for $119 thousand per month for the year 2019, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category	December 31 2019	December 31 2018
Trade receivables	Subsidiaries of Lite-On Technology Corporation	$ 5,572	$ 9,044
Other receivables	The Parent Company's parent	$ 1,721	$ 116
	Subsidiaries of Lite-On Technology Corporation		
	Lite - On Mobile India Private Limited	-	14,206
	Other related parties	-	1,586
	Subsidiaries of Lite-On Technology Corporation	-	229
		$ 1,721	$ 16,137

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category	December 31 2019	December 31 2018
Trade payables	Other related parties	$ 2,072	$ 2,162
Other payables	Other related parties	$ 5,631	$ 7,893
	The Parent Company's parent	1,981	1,522
	Subsidiaries of Lite-On Technology Corporation	63	67
	Related party in substance	57	93
		$ 7,732	$ 9,575

The outstanding trade payables to related parties are unsecured.

g. Disposal of associates

The Parent Company sold all of its shares of its associate Lite-On Japan Ltd., to Lite-On Technology Corporation, refer to Note 13 for more information.

h. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 4,849	$ 4,819
Termination benefits	195	191
	$ 5,044	$ 5,010

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged as collateral for local customs and operating leases.

	December 31	
	2019	2018
Pledged time deposits (classified as financial assets at amortized cost)	$ 8,118	$ 15,733

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Parent Company and Lite-On Technology Corporation signed a mutual contract regarding registrar inquiries and management services, and the payment of relevant expenses would be shared by both companies according to the agreed proportion stated in the contract.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 5,870	29.93 (USD:NTD)	$ 175,702
USD	11,723	6.9519 (USD:RMB)	350,884
USD	4,803	4.0805 (USD:MYR)	143,763
EUR	834	33.5096 (EUR:NTD)	27,954
EUR	622	4.5685 (EUR:MYR)	20,833
JPY	9,147	0.2749 (JPY:NTD)	2,514
JPY	9,603	0.0638 (JPY:RMB)	2,640
RMB	256	4.3053 (RMB:NTD)	1,102
RMB	29,432	0.1438 (RMB:USD)	126,713
RMB	2,940	0.5870 (RMB:MYR)	12,657
HKD	380	0.8927 (HKD:RMB)	1,461
Financial liabilities			
Monetary items			
USD	5,296	29.93 (USD:NTD)	158,498
USD	4,921	6.9519 (USD:RMB)	147,280
USD	2,712	4.0805 (USD:MYR)	81,168
EUR	47	4.5685 (EUR:MYR)	1,558
SGD	106	3.0313 (SGD:MYR)	2,363

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 8,219	30.665 (USD:NTD)	$ 252,042
USD	18,356	6.8393 (USD:RMB)	562,885
USD	4,687	4.1460 (USD:MYR)	143,729
EUR	501	35.1574 (EUR:NTD)	17,605
EUR	97	7.8413 (EUR:RMB)	3,427
EUR	615	4.7534 (EUR:MYR)	21,637
JPY	6,163	0.2776 (JPY:NTD)	1,711
JPY	9,347	0.0619 (JPY:RMB)	2,595
RMB	499	4.4836 (RMB:NTD)	2,239
RMB	28,785	0.1462 (RMB:USD)	129,061
RMB	865	0.6062 (RMB:MYR)	3,880
HKD	453	0.8733 (HKD:RMB)	1,774
Non-monetary items			
Investments accounted for using the equity method			
JPY	256,398	0.2776 (JPY:NTD)	71,176
Financial liabilities			
Monetary items			
USD	8,334	30.665 (USD:NTD)	255,558
USD	8,309	6.8393 (USD:RMB)	254,802
USD	2,203	4.1460 (USD:MYR)	67,565
EUR	39	35.1574 (EUR:NTD)	1,364
EUR	39	7.8413 (EUR:RMB)	1,364
EUR	59	4.7534 (EUR:MYR)	2,083
JPY	3,730	0.2776 (JPY:NTD)	1,036
JPY	3,730	0.0619 (JPY:RMB)	1,036

The Group is mainly exposed to the USD, EUR, RMB and JPY. The following information was aggregated by the functional currencies of the Group, and the exchange rates between the respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ (1,244)	1 (NTD:NTD)	$ (4,178)
USD	30.8681 (USD:NTD)	(2,117)	30.1843 (USD:NTD)	(6,016)
RMB	4.4882 (RMB:NTD)	4,540	4.5518 (RMB:NTD)	19,749
MYR	7.4701 (MYR:NTD)	(1,095)	7.4917 (MYR:NTD)	2,317
		$ 84		$ 11,872

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 2 below.

5) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 3 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 4 below.

9) Trading in derivative instruments: See Note 7.

10) Intercompany relationships and significant intercompany transactions: See Table 5 below.

11) Information on investees: See Table 6 below.

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 7 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 8 below.

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

33. SEGMENT INFORMATION

The Group is organized and managed as a single reportable business segment. The Group's main operations are the manufacture and sale of rubber products, and is considered a single segment. The basis of information reported to the chief operating decision maker is the same as the consolidated financial statements. Because the basis of segment information reported to the chief operating decision maker is the same as the consolidated financial statements, the segment revenue and results for the years ended December 31, 2019 and 2018 can be referred to in the consolidated statements of comprehensive income and the segment assets and liabilities as of December 31, 2019 and 2018 can be referred to in the consolidated balance sheets.

a. Geographical information

The Group operates in three principal geographical areas - China, Malaysia and Taiwan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
China	$ 724,393	$ 876,139	$ 267,178	$ 284,936
Malaysia	311,848	222,808	177,337	178,032
Taiwan	338,634	258,373	61,582	62,342
United States	437,580	381,791	-	-
India	87,954	137,059	-	-
Others	395,365	374,874	-	-
	$ 2,295,774	$ 2,251,044	$ 506,097	$ 525,310

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

b. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 434,764	$ 381,791
Customer B	291,266	419,235
Customer C	287,894	(Note)

Note: Revenue less than 10% of the Group's revenue.

TABLE 1

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	Member of the board of directors	Financial assets at FVTOCI	1,300	$ 6,162	10.00	$ 6,162	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note
Silitech (Bermuda) Holding Ltd.	Fund							
	Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	-	US$ 916	-	US$ 916	

Note: The carrying values of financial instruments were all assessed for impairment.

TABLE 2

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount (Note)	Shares/Units (In Thousands)	Amount (Note)	Shares/Units (In Thousands)	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount (Note)
Silitech Technology (Suzhou) Co., Ltd.	Guaranteed income deposit	Financial assets at amortized cost - current	-	-	-	$ 22,416 (RMB 5,000)	-	$ 236,200 (RMB 54,880)	-	$ 260,660 (RMB 60,355)	$ 258,616 (RMB 59,880)	$ 2,044 (RMB 475)	-	$ - (RMB -)
Xurong Electronic (Shenzhen) Co., Ltd.	Principal protected deposit	Financial assets at amortized cost - current	-	-	-	-	-	293,528 (RMB 68,200)	-	201,118 (RMB 46,729)	200,563 (RMB 46,600)	555 (RMB 129)	-	92,965 (RMB 21,600)

Note: The amount stated was the original investment cost.

TABLE 3

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	$ 564,946	71	90 days	No significant difference	90-120 days	$ (148,349)	60	Note
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US$ 18,033 JPY 8,546 EUR 159	100	90 days	No significant difference	90-120 days	US$ 4,921 JPY 3,453 EUR 4	100	Note
	Xurong Electronic (Shenzhen) Co., Ltd.	Subsidiary	Purchase	US$ 18,033 JPY 8,546 EUR 159	100	90 days	No significant difference	90-120 days	US$ (4,921) JPY (3,453) EUR (4)	100	Note
Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	Parent	Sale	US$ 18,033 JPY 8,546 EUR 159	67	90 days	No significant difference	90-120 days	US$ 4,921 JPY 3,453 EUR 4	76	Note

Note: All intercompany sales and purchases have been eliminated upon consolidation.

TABLE 4

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Inter-trade Receivables	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts	Note
					Amount	Action Taken			
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	US$ 4,921 JPY 3,453 EUR 4	2.4	$ -	-	US$ 2,865 JPY 1,839	$ -	Note
Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	Parent	US$ 4,921 JPY 3,453 EUR 4	2.4	-	-	US$ 1,747 JPY 1,839	-	Note

Note: All intercompany trade receivables have been eliminated upon consolidation.

TABLE 5

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
1	Silitech Technology Corporation Limited	Silitech Technology Corporation	b.	Sales	$ 564,946	No significant difference	25
		Silitech Technology Corporation	b.	Trade receivable	148,349	No significant difference	4
2	Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	c.	Sales	564,946	No significant difference	25
		Silitech Technology Corporation Limited	c.	Trade receivable	148,349	No significant difference	4

Note 1: The Parent Company and its subsidiaries are coded as follows:

a. The Parent Company is coded "0".
b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationships are coded as follows:

a. From the Parent Company to its subsidiary.
b. From a subsidiary to its Parent Company.
c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item's end-of-period balance is shown as a percentage to the consolidated total assets as of December 31, 2019. For profit or loss items, cumulative amounts are shown as percentages to consolidated total operating revenue for the year ended December 31, 2019.

Note 4: The table above only discloses related-party transactions which are material.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee	Share of Profits/(Losses) of Investee	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US$ 52,182	US$ 95,182	52,182	100.00	$ 2,080,253	US$ 3,068	$ 94,374	Subsidiary (Note 1)
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	JPY -	JPY 197,040	-	-	-	JPY -	664	(Note 3)
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US$ 52,132	US$ 95,132	52,132	100.00	US$ 68,942	US$ 2,552	N/A	Sub-subsidiary (Note 1)
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Hong Kong	Manufacture of plastic and computer peripheral products	US$ 8,000	US$ 8,000	62,400	100.00	US$ 19,325	RMB (13,424)	N/A	Third-tier subsidiary (Note 1)
	Silitech Technology Corporation Sdn. Bhd.	Malaysia	Manufacture of computer peripheral products	US$ 5,632	US$ 5,632	21,400	100.00	US$ 16,478	RM 15,838	N/A	Third-tier subsidiary (Note 1)
	Silitech (Hong Kong) Holding Ltd.	Hong Kong	Investment activities	US$ 24,200	US$ 77,200	24,200	100.00	US$ 5,298	RMB 610	N/A	Third-tier subsidiary (Note 1)

Note 1: All amounts have been eliminated upon consolidation.

Note 2: Refer to Table 7 for information on investments in mainland China.

Note 3: On June 3, 2019, the Company’s board of directors resolved to sell all of its shares of its associate Lite-On Japan Ltd. and signed a tender offer agreement with Lite-On Technology Corporation. Refer to Note 13 for the related information.

TABLE 7

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/(Losses) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of touch panels and plastic and rubber assemblies	$ 83,804 (US$ 2,800)	Note 1	$ 203,354	$ -	$ -	$ 203,354	$ (62,602) (RMB -13,948)	100	$ (62,602) (RMB -13,948)	$ 519,932 (RMB 120,804)	$ 4,116,628 (US$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	808,110 (US$ 27,000)	Note 1	2,334,540 (US$ 78,000)	-	(1,286,990) (US$ 43,000)	1,047,550 (US$ 35,000)	(2,684) (RMB -598)	100	(2,684) (RMB -598)	93,477 (RMB 21,719)	1,235,510 (US$ 8,796) (RMB 214,783)	(Notes 6 and 8)

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ 1,340,694 (Note 4) (US$ 38,000) (NT$ 203,354)	$ 2,774,491 (Note 4) (US$ 85,905) (NT$ 203,354)	$6,864,740 (Note 3)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.

Note 3: The Parent Company’s upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation’s net worth or consolidated worth of $80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China): $2,521,003 (net worth) × 60% ＋ $5,352,138 ＝ $6,864,740

Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC. are as follows:

Name of Investee	Order No.	Approved Amounts
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT$ 203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US$ 3,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09600170390	US$ 20,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09600164790	US$ 2,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09500326290	US$ 11,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09700434630	US$ 45,000
Silitech Plating (Shenzhen) Co., Ltd. (liquidated in September 2012)	09500004400	US$ 605
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US$ 1,200
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US$ 1,500
Silitech Surface Treatment (Shenzhen) Co., Ltd. (liquidated in December 2012)	09900449200	US$ 1,600

Note 5: Including accumulated investment of US$2,700 thousand which is not from Taiwan (ROC).

Note 6: Silitech Technology (Suzhou) Co., Ltd.’s original paid-in capital was US$78,000 thousand. On September 13, 2018, the board of directors decided to return US$51,000 thousand through a capital reduction in cash to its upper level shareholders, Silitech (Hong Kong) Holding Ltd., which is a holding company located in a third area. On January 3, 2019, the board of directors of Silitech (Hong Kong) Holding Ltd. resolved a capital reduction in cash and refunded US$53,000 thousand to its upper level shareholders, Silitech (Bermuda) Holding Ltd. From February 2019 to August 2019, the board of directors of Silitech (Bermuda) Holding Ltd. and Silitech (BVI) Holding Ltd. decided to implement a cash capital reduction and each refunded US$43,000 thousand to their upper level shareholders.

Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of US$58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

Note 8: Silitech Technology (Suzhou) Co., Ltd. was dissolved after liquidation in January 2020. The share capital of RMB 21,720 thousand was remitted to Silitech (Hong Kong) Holding Ltd.

Note 9: All intercompany investments have been eliminated upon consolidation.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Sale	$ 20,951	2	No significant difference	90 days	90-120 days	$ 599	-	$ -	-
	Purchase	564,946	71	No significant difference	90 days	90-120 days	(148,349)	60	511	-

Note: All intercompany transactions have been eliminated upon consolidation.

6.5 A Parent Company Only Financial Statement for the Most Recent Fiscal Year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

Opinion

We have audited the accompanying financial statements of Silitech Technology Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the financial statements for the year ended December 31, 2019. 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.

The key audit matters identified in the audit of the Company's consolidated financial statements for the year ended December 31, 2019 are described as follows:

<u>Assessment of Allowance for Impairment Loss of Trade Receivables</u>

The auditors are concerned about this matter as the assessment of impairment loss of trade receivables involves management's significant judgment on accounting estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. As the provision of allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves significant judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management's assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt, and based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable made is reasonable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and verified if the allowance made for individual overdue trade receivables is sufficient.

2. We assessed the recoverability of the client's overdue trade receivables after the reporting period, in order to determine whether we need to set aside additional allowance for bad debt.

3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management, and tested the accuracy and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables, refer to Note 4 to the financial statements. Refer to Notes 5 and 8 for critical accounting judgments and key sources of estimation uncertainty.

Assessment of Impairment Loss of Trade Receivables of Subsidiaries Accounted for Using the Equity Method

The auditors are concerned about this matter as the net amount of consolidated trade receivables as of December 31, 2019 accounted for 13% of the consolidated total assets, which is considered significant, and also because the assessment of the impairment loss of trade receivables involves management's significant judgment on accounting estimates.

Management evaluated the allowance for bad debt of clients by first assessing the impairment of trade receivables on an individual basis, before assessing them on a collective basis. As the provision of allowance for impairment loss of trade receivables is based on the assumption of the expected credit risk of clients and also involves significant judgment, when there is a significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures performed in respect of the management of the subsidiaries' assessment of impairment of trade receivables included the following:

1. We reviewed the historical trade receivable recovery records of the clients to analyze the allowance for bad debt, and based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable made is reasonable. Furthermore, we also referred to the payment status and other accessible customer information of the current year, and verified if the allowance made for individual overdue trade receivables is sufficient.

2. We assessed the recoverability of the client's overdue trade receivables after the reporting period, in order to determine whether we need to set aside additional allowance for bad debt.

3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management of subsidiary, and tested the accuracy and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

For the accounting policy on the assessment of impairment of trade receivables of subsidiaries accounted for using the equity method, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Inventory Valuation Losses of Subsidiaries Accounted for Using the Equity Method

The auditors are concerned about this matter as the evaluation of the net realizable value of inventories by subsidiaries accounted for using the equity method involves significant judgment, particularly the estimation of allowance for outdated inventory valuation losses.

The audit procedures for testing the net realizable value of inventories of subsidiaries accounted for using the equity method are as follows:

1. We understood the management's policy of inventory valuation and the relevant internal controls.

2. We tested the accuracy and completeness of the inventory aging report.

3. We tested the carrying amount of the ending inventory, and obtained the latest information of purchases and sales to verify with management whether the inventories were evaluated using the lower of cost or net realizable value method, and tested the accuracy of the net realizable value of ending inventory through recalculation.

4 We assessed the appropriateness of the Group's valuation basis for the provision for inventory valuation losses and the reasonableness of the changes in the inventory valuation losses based on the inventory aging report.

5. We attended the inventory count at the end of year in order to evaluate the condition of the inventory and assess the reasonableness of the allowance made for inventory valuation loss due to outdated and obsolete inventory.

For the accounting policy on evaluating the allowance for inventory valuation losses, refer to Note 5 for the critical accounting judgments and key sources of estimation uncertainty.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SILITECH TECHNOLOGY CORPORATION

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 468,078	16	$ 340,164	8
Trade receivables, net (Notes 4, 5 and 8)	174,741	6	274,477	7
Trade receivables from related parties (Notes 4, 5, 8 and 23)	6,750	-	10,618	-
Other receivables (Note 4)	7,775	-	9,998	-
Other receivables from related parties (Notes 4 and 23)	2,405	-	2,381	-
Current tax assets (Note 18)	89	-	495	-
Inventories, net (Notes 4 and 9)	47,033	2	22,101	1
Other current assets	13,144	-	9,630	-
Total current assets	720,015	24	669,864	16
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 4 and 7)	6,162	-	7,308	-
Investments accounted for using the equity method (Notes 4 and 10)	2,080,253	71	3,431,464	81
Property, plant and equipment, net (Notes 4 and 11)	60,556	2	54,949	1
Intangible assets, net	851	-	1,216	-
Deferred tax assets (Notes 4 and 18)	74,958	3	73,952	2
Refundable deposits (Note 4)	175	-	175	-
Other non-current assets	-	-	6,002	-
Total non-current assets	2,222,955	76	3,575,066	84
TOTAL	$ 2,942,970	100	$ 4,244,930	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 4)	$ 97,345	3	$ 53,873	1
Trade payables to related parties (Notes 4 and 23)	150,421	5	259,176	6
Other payables (Notes 4 and 13)	75,252	3	76,085	2
Other payables to related parties (Notes 4 and 23)	7,732	-	9,575	-
Other current liabilities	11,863	-	6,305	-
Total current liabilities	342,613	11	405,014	9
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4 and 14)	46,224	2	42,971	1
Deferred tax liabilities (Notes 4 and 18)	33,130	1	33,357	1
Total non-current liabilities	79,354	3	76,328	2
Total liabilities	421,967	14	481,342	11
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	600,000	21	1,793,838	42
Capital surplus	507,154	17	507,154	12
Retained earnings				
Legal reserve	1,109,766	38	1,109,766	26
Special reserve	282,841	10	139,742	3
Unappropriated earnings	305,752	10	495,929	12
Total retained earnings	1,698,359	58	1,745,437	41
Other equity	(284,510)	(10)	(282,841)	(6)
Total equity	2,521,003	86	3,763,588	89
TOTAL	$ 2,942,970	100	$ 4,244,930	100

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

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 16 and 23)	$ 949,744	100	$ 977,970	100
COST OF GOODS SOLD (Notes 9, 20 and 23)	(865,724)	(91)	(861,007)	(88)
GROSS PROFIT	84,020	9	116,963	12
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(2)	-	(113)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	-	-	47	-
REALIZED GROSS PROFIT	84,018	9	116,897	12
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(52,059)	(6)	(44,940)	(4)
General and administrative expenses	(118,451)	(12)	(123,558)	(13)
Research and development expenses	(40,900)	(4)	(41,622)	(4)
Expected credit (loss) gain	(5)	-	1,217	-
Total operating expenses	(211,415)	(22)	(208,903)	(21)
LOSS FROM OPERATIONS	(127,397)	(13)	(92,006)	(9)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 23)	11,123	1	13,581	1
Other gains and losses (Note 17)	(9,260)	(1)	18,730	2
Share of profit or loss of subsidiaries and associates	95,038	10	25,060	3
Total non-operating income and expenses	96,901	10	57,371	6
LOSS BEFORE INCOME TAX	(30,496)	(3)	(34,635)	(3)
INCOME TAX BENEFIT (Notes 4 and 18)	1	-	819	-
NET LOSS FOR THE YEAR	(30,495)	(3)	(33,816)	(3)

(Continued)

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (2,183)	-	$ (2,089)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	(1,146)	-	(3,858)	(1)
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	90	-	867	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 18)	437	-	1,220	-
	(2,802)	-	(3,860)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(4,771)	(1)	(8,898)	(1)
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	535	-	1,578	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 18)	847	-	6,522	1
	(3,389)	(1)	(798)	-
Other comprehensive loss for the year, net of income tax	(6,191)	(1)	(4,658)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (36,686)	(4)	$ (38,474)	(4)
LOSS PER SHARE (In NTD; Note 19)				
Basic	$ (0.24)		$ (0.19)	
Diluted	$ (0.24)		$ (0.19)	

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

SILITECH TECHNOLOGY CORPORATION

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

	Share Capital			Retained Earnings			Other Equity				
	Ordinary Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2018	189,384	$ 1,893,838	$ 535,425	$ 1,109,766	$ 87,174	$ 550,255	$ (139,947)	$ 205	$ -	$ (234,654)	$ 3,802,062
Effect of retrospective application	-	-	-	-	-	138,383	-	(205)	(138,178)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	189,384	1,893,838	535,425	1,109,766	87,174	688,638	(139,947)	-	(138,178)	(234,654)	3,802,062
Appropriation of the 2017 earnings Special reserve	-	-	-	-	52,568	(52,568)	-	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	-	-	(33,816)	-	-	-	-	(33,816)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	58	(798)	-	(3,918)	-	(4,658)
Total comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	(33,758)	(798)	-	(3,918)	-	(38,474)
Cancelation of treasury shares	(10,000)	(100,000)	(28,271)	-	-	(106,383)	-	-	-	234,654	-
BALANCE AT DECEMBER 31, 2018	179,384	1,793,838	507,154	1,109,766	139,742	495,929	(140,745)	-	(142,096)	-	3,763,588
Effect of retrospective application	-	-	-	-	-	(14,906)	-	-	-	-	(14,906)
BALANCE AT JANUARY 1, 2019 AS RESTATED	179,384	1,793,838	507,154	1,109,766	139,742	481,023	(140,745)	-	(142,096)	-	3,748,682
Appropriation of the 2018 earnings Special reserve	-	-	-	-	143,099	(143,099)	-	-	-	-	-
Capital reduction by cash	(119,384)	(1,193,838)	-	-	-	-	-	-	-	-	(1,193,838)
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	2,927	-	(82)	-	2,845
Net loss for the year ended December 31, 2019	-	-	-	-	-	(30,495)	-	-	-	-	(30,495)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(1,677)	(3,389)	-	(1,125)	-	(6,191)
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(32,172)	(3,389)	-	(1,125)	-	(36,686)
BALANCE AT DECEMBER 31, 2019	60,000	$ 600,000	$ 507,154	$ 1,109,766	$ 282,841	$ 305,752	$ (141,207)	$ -	$ (143,303)	$ -	$ 2,521,003

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

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (30,496)	$ (34,635)
Adjustments for:		
Depreciation expenses	10,963	10,418
Amortization expenses	1,096	610
Expected credit loss recognized (reversed) on trade receivables	5	(1,217)
Net gain on fair value change of financial assets at FVTPL	-	(162)
Interest income	(3,354)	(5,134)
Share of profit of subsidiaries and associates	(95,038)	(25,060)
Impairment loss on investments accounted for using the equity method	7,986	-
Unrealized loss on the transactions with subsidiaries and associates	2	66
Net loss on disposal of inventories	119	3,298
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	-	162
Notes receivable	-	46
Trade receivables	99,731	(36,845)
Trade receivables from related parties	3,868	6,829
Other receivables	2,357	(4,201)
Other receivables from related parties	(24)	(676)
Inventories	(25,051)	(23,586)
Other current assets	(3,514)	2,776
Trade payables	43,472	5,385
Trade payables to related parties	(108,755)	(8,547)
Other payables	1,724	(4,405)
Other payables to related parties	(1,843)	(1,545)
Other current liabilities	5,558	(9,014)
Net defined benefit liabilities	1,070	(17,007)
Cash used in operations	(90,124)	(142,444)
Interest received	3,220	5,851
Income tax paid	(275)	(5,420)
Net cash used in operating activities	(87,179)	(142,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on disposal of associates	67,311	-
Proceeds from capital reduction of investment accounted for using the equity method	1,354,799	-
Payments for property, plant and equipment	(13,123)	(7,723)
Decrease in refundable deposits	-	201
Payments for intangible assets	(731)	(1,826)
Dividends received from associates	675	669
Net cash generated from (used in) investing activities	1,408,931	(8,679)

(Continued)

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction payments to shareholders	$ (1,193,838)	$ -
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,914	(150,692)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	340,164	490,856
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 468,078	$ 340,164

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

SILITECH TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silitech Technology Corporation (the “Company”) was established in October 2001 and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Company will generally accept the rubber division of Silitek Corporation (the “division”). The proposal was approved in the shareholders’ meeting on May 17, 2002. The Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The Company’s parent is Lite-On Technology Corporation, which owns 33.87% of their total ordinary shareholdings as of December 31, 2019 and 2018.

The financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors and authorized for issue on February 24, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

   - IFRS 16 “Leases”

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, The Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities since the commencement date. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

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

3) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Investments accounted for using the equity method	$ 3,431,464	$ (14,906)	$ 3,416,558
Total effect on assets	$ 3,431,464	$ (14,906)	$ 3,416,558
Retained earnings	$ 1,745,437	$ (14,906)	$ 1,730,531
Total effect on equity	$ 1,745,437	$ (14,906)	$ 1,730,531

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiary attributable to the Company.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate.

Profits and losses resulting from the Company's downstream, upstream and sidestream transactions with its associates are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (i.e., ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Revenue recognition

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

m. Leases

<u>2019</u>

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of financial assets for investments in subsidiaries accounted for using the equity method

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Write-down of inventory for investments in subsidiaries accounted for using the equity method

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 122	$ 194
Checking accounts and demand deposits	157,956	89,970
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	310,000	250,000
	$ 468,078	$ 340,164

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Time deposits	0.63%-0.66%	0.55%-0.66%

7. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	**2018**
Non-current		
Domestic investments		
Unlisted ordinary shares	$ 6,162	$ 7,308

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes.

8. TRADE RECEIVABLES

	December 31	
	2019	**2018**
Trade receivables		
At amortized cost		
Gross carrying amount	$ 181,531	$ 285,130
Less: Allowance for impairment loss	(40)	(35)
	$ 181,491	$ 285,095

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has regularly evaluated for credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	Not Past Due	Up to 60 Days	61 to 210 Days	Total
Expected credit loss rate	-	0.17%	70.59%	
Gross carrying amount	$ 179,189	$ 2,291	$ 51	$ 181,531
Loss allowance (Lifetime ECLs)	-	(4)	(36)	(40)
Amortized cost	$ 179,189	$ 2,287	$ 15	$ 181,491

December 31, 2018

	Not Past Due	Up to 60 Days	Total
Expected credit loss rate	-	0.20%	
Gross carrying amount	$ 267,731	$ 17,399	$ 285,130
Loss allowance (Lifetime ECLs)	-	(35)	(35)
Amortized cost	$ 267,731	$ 17,364	$ 285,095

The movements of the loss allowance of trade receivables are as follows:

	December 31	
	2019	2018
Balance at January 1	$ 35	$ 1,252
Add: Net re-measurement of loss allowance	5	-
Less: Net re-measurement of loss allowance	-	(1,217)
Balance at December 31	$ 40	$ 35

9. INVENTORIES, NET

	December 31	
	2019	2018
Raw materials	$ 23,635	$ 3,492
Work in progress	9,503	1,972
Merchandise	7,612	16,214
Finished goods	5,911	413
Supplies	372	10
	$ 47,033	$ 22,101

The cost of inventories recognized as cost of goods sold included the inventory reversals and disposals.

	For the Year Ended December 31	
	2019	2018
Inventory reversals	$ (143)	$ (2,444)
Loss of inventory scrapped	119	3,298

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 2,080,253	$ 3,360,288
Investments in associates	-	71,176
	$ 2,080,253	$ 3,431,464

Investments in Subsidiaries

	December 31	
	2019	2018
Silitech (BVI) Holding Ltd.	$ 2,080,253	$ 3,360,288

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Company	2019	2018
Silitech (BVI) Holding Ltd.	100%	100%

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements which have been audited for the same years.

Investments in Associates

	December 31	
	2019	2018
Lite-On Japan Ltd.	$ -	$ 71,176

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Company	2019	2018
Lite-On Japan Ltd.	-	7.87%

Refer to Table 4 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2018 was based on the associate's financial statements which have been audited for the same year.

On June 3, 2019, the Company's board of directors resolved to sell all of its shares of its associate Lite-On Japan Ltd. to Lite-On Technology Corporation through a tender offer agreement at a cash price of JPY240 per share. Lite-On Technology Corporation acquired Lite-On Japan Ltd.'s shares from June 4 to July 16, 2019, and the Company completed the collection of payment on July 24, 2019. When the Company reclassified Lite-On Japan Ltd. from investments accounted for using the equity method - associates to non-current assets held for sale, the fair value of investments accounted for using the equity method - associates was lower than the carrying value on the date of resolution of disposal, and the difference was recognized as an impairment loss which was presented in other gains and losses. The amount of loss recognized in profit or loss as a result of this transaction is calculated as follows:

Proceeds from disposal of Lite-On Technology Corporation	$ 67,311
Less: Carrying value of investment on the date of resolution of disposal	(75,379)
Add: Unrealized gain on financial assets at FVTOCI	82
Loss recognized (presented in other gains and losses)	$ (7,986)

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	**December 31, 2018**
Lite-On Japan Ltd.	$ 45,718

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Lite-On Japan Ltd.

	December 31, 2018
Current assets	$ 1,647,044
Non-current assets	105,209
Current liabilities	(948,086)
Non-current liabilities	(73,503)
Equity	$ 730,664
Proportion of the Company's ownership	7.87%
Equity attributable to the Company	$ 57,526
Goodwill	13,650
Carrying amount	$ 71,176

	For the Year Ended December 31, 2018
Operating revenue	$ 3,741,635
Net loss for the year	$ (4,732)
Other comprehensive loss	(14,028)
Total comprehensive loss for the year	$ (18,760)
Dividends received from Lite-On Japan, Ltd.	$ 669

11. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost								
Balance at January 1, 2019	$ 9,789	$ 168,666	$ 172,345	$ 74,291	$ 3,440	$ 46,956	$ 13,039	$ 488,526
Additions	-	-	12,924	257	-	2,959	430	16,570
Disposals	-	(4,386)	(30,531)	(15,159)	-	(1,533)	(2,660)	(54,269)
Balance at December 31, 2019	$ 9,789	$ 164,280	$ 154,738	$ 59,389	$ 3,440	$ 48,382	$ 10,809	$ 450,827
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 134,945	$ 113,616	$ 67,276	$ 3,440	$ 42,046	$ 9,999	$ 371,322
Depreciation expenses	-	2,435	5,121	362	-	2,137	908	10,963
Disposals	-	(3,295)	(22,405)	(14,528)	-	(1,533)	(1,575)	(43,336)
Balance at December 31, 2019	$ -	$ 134,085	$ 96,332	$ 53,110	$ 3,440	$ 42,650	$ 9,332	$ 338,949
Accumulated impairment								
Balance at January 1, 2019	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Impairment losses	-	-	-	-	-	-	-	-
Disposals	-	(1,091)	(8,126)	(631)	-	-	(1,085)	(10,933)
Balance at December 31, 2019	$ -	$ 64	$ 44,089	$ 5,659	$ -	$ 756	$ 754	$ 51,322
Net balance at December 31, 2019	$ 9,789	$ 30,131	$ 14,317	$ 620	$ -	$ 4,976	$ 723	$ 60,556
Cost								
Balance at January 1, 2018	$ 9,789	$ 167,916	$ 172,351	$ 74,252	$ 3,440	$ 45,047	$ 12,319	$ 485,114
Additions	-	750	80	190	-	2,688	720	4,428
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Balance at December 31, 2018	$ 9,789	$ 168,666	$ 172,345	$ 74,291	$ 3,440	$ 46,956	$ 13,039	$ 488,526
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 132,582	$ 108,021	$ 67,091	$ 3,440	$ 41,674	$ 9,112	$ 361,920
Depreciation expenses	-	2,363	5,681	336	-	1,151	887	10,418
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Balance at December 31, 2018	$ -	$ 134,945	$ 113,616	$ 67,276	$ 3,440	$ 42,046	$ 9,999	$ 371,322
Accumulated impairment								
Balance at January 1, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Impairment losses	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Net balance at December 31, 2018	$ 9,789	$ 32,566	$ 6,514	$ 725	$ -	$ 4,154	$ 1,201	$ 54,949

As a result of the life cycle of some products, the related equipment used to produce these products would be left idle due to insufficient capacity. The Company carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2019 and 2018, the accumulated impairment losses recognized were $51,322 thousand and $62,255 thousand, respectively. For the years ended December 31, 2019 and 2018, the accumulated impairment amount decreased due to disposal of equipment and were $10,933 thousand and $0.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant structures	20-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Other equipment	2-3 years

12. LEASE ARRANGEMENTS

Other Lease Information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases and low-value asset leases	$ 2,265
Total cash outflow for leases	$ 2,265

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	$ 1,895
Later than 1 year and not later than 5 years	-
	$ 1,895

13. OTHER PAYABLES

	December 31	
	2019	2018
Payroll	$ 35,857	$ 40,728
Services	9,551	9,789
Tooling	5,958	6,107
Employee leave	3,503	2,763
Equipment	733	3,288
Others	19,650	13,410
	$ 75,252	$ 76,085

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 84,038	$ 77,868
Fair value of plan assets	(37,814)	(34,897)
Net defined benefit liabilities	$ 46,224	$ 42,971

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 72,255	$ (14,367)	$ 57,888
Current service cost	2,228	-	2,228
Net interest expense (income)	813	(170)	643
Recognized in profit or loss	3,041	(170)	2,871
Remeasurement			
Return on plan assets	-	(483)	(483)
Actuarial loss - changes in demographic assumptions	2,601	-	2,601
Actuarial loss - changes in financial assumptions	872	-	872
Actuarial gain - experience adjustments	(901)	-	(901)
Recognized in other comprehensive income (loss)	2,572	(483)	2,089
Contributions from the employer	-	(19,877)	(19,877)
Balance at December 31, 2018	77,868	(34,897)	42,971
Current service cost	2,153	-	2,153
Net interest expense (income)	779	(357)	422
Recognized in profit or loss	2,932	(357)	2,575
Remeasurement			
Return on plan assets	-	(1,055)	(1,055)
Actuarial loss - changes in demographic assumptions	1,688	-	1,688
Actuarial loss - changes in financial assumptions	1,798	-	1,798
Actuarial gain - experience adjustments	(248)	-	(248)
Recognized in other comprehensive income (loss)	3,238	(1,055)	2,183
Contributions from the employer	-	(1,505)	(1,505)
Balance at December 31, 2019	$ 84,038	$ (37,814)	$ 46,224

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 626	$ 523
Selling and marketing expenses	482	519
General and administrative expenses	1,001	1,282
Research and development expenses	466	547
	$ 2,575	$ 2,871

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (1,828)	$ (1,806)
0.25% decrease	$ 1,889	$ 1,869
Expected rate(s) of salary increase		
0.25% increase	$ 1,816	$ 1,800
0.25% decrease	$ (1,767)	$ (1,749)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 1,576	$ 1,624
The average duration of the defined benefit obligation	8.9 years	9.5 years

15. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	60,000	179,384
Amount of shares issued	$ 600,000	$ 1,793,838

On June 12, 2019, the Company resolved in their shareholders' meeting to implement a capital reduction in cash of $1,193,838 thousand, cancelling 119,384 thousand ordinary shares, and the capital reduction ratio was 66.552167%. The above mentioned proposal was approved and declared effective by the FSC. The record date of capital reduction was set as July 26, 2019, and the refund of shares to shareholders was completed on September 27, 2019.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 507,154	$ 507,154

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid in capital and only once a year).

c. Retained earnings and dividend policy

In the shareholders' meeting held on June 12, 2019, the shareholders of the Company resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividend policy as set forth in the amended Articles, if there is a net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses (including adjustment of unappropriated earnings, if any) and set aside a legal reserve at 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside or reverse a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings, if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval. For the policies on the distribution of employees' compensation and remuneration of directors before and after the amendment, refer to Note 20 (b): Employee benefits expenses.

The Company's dividend policy is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall set aside share dividends at no less than 70% of the net profit. Dividends could be distributed either through cash or shares, and cash dividends shall not be less than 90% of the total dividends distributed for the year.

In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

The Company may appropriate earnings or offset deficit at the end of every quarter according to company policy. During the appropriation of earnings, the Company should estimate and retain the statutory tax payable, offset deficit and set aside as legal reserve in accordance with policy, except when the legal reserve has reached the Company's paid-in capital.

Cash distribution of the Company's earnings shall be resolved in the board of directors' meeting. Distribution of earnings in the form of new shares shall be resolved in the shareholders' meeting in accordance with the regulations.

Under the dividend policy as set forth in the Articles before the amendments, if there is net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses and set aside a legal reserve at 10% of the net profit, until the accumulated legal reserve is equal to the total capital of the Company; then set aside a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the unappropriated earnings at the beginning of the period, shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval.

The Company's dividend policy before the amendments to the Articles is designed with present and future development plans in mind and takes into consideration the investment environment, international or domestic competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute cash dividends at no less than 10% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The Company resolved in their board of directors' meeting on February 24, 2020 that there would be no distribution of cash dividends for the current year.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meeting on June 12, 2019 and 2018, respectively, are as follows:

	Appropriation of Earnings	
	2018	**2017**
Special reserve	$ 143,099	$ 52,568

The Company proposed to amend the Company's Articles of Incorporation in their board of directors' meeting on February 24, 2020, which is to abolish the policy of distribution of retained earnings and offset of deficit at the end of every quarter. As the Company reported a net loss in 2019, the board of directors proposed that other than the appropriation of $1,669 thousand to the special reserve, no dividends will be distributed. The aforementioned proposals will be resolved in the shareholders' meeting estimated to be held on June 18, 2020.

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2018	10,000
Decrease during the year	(10,000)
Number of shares at December 31, 2018	-

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The repurchased ordinary shares market for transfer to employees have expired and have not been transferred. The Company's board of directors approved the retirement of 10,000 thousand treasury shares on July 26, 2018. The record date for capital reduction was July 27, 2018.

16. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as "product sales revenue". The Company's core technology is to integrate rubber, plastic, optical and other components, which are widely used in industries and products such as mechanical integration components and automotive components.

17. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
From bank deposits	$ 3,354	$ 5,134
Rental income	1,442	1,442
Others	6,327	7,005
	$ 11,123	$ 13,581

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Foreign currency exchange	$ (1,244)	$ (4,178)
Net gain on financial assets		
Financial assets mandatorily classified as at FVTPL	-	162
Impairment loss on investments in associates accounted for using the equity method	(7,986)	-
Others	(30)	22,746
	$ (9,260)	$ 18,730

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 14,498	$ 28,662
Foreign exchange losses	(15,742)	(32,840)
	$ (1,244)	$ (4,178)

18. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax benefit are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 681	$ 3,953
Deferred tax		
In respect of the current period	(682)	(4,019)
Effect on tax rate change	-	(753)
Income tax benefit recognized in profit or loss	$ (1)	$ (819)

A reconciliation of accounting profit and income tax benefit is as follows:

	For the Year Ended December 31	
	2019	2018
Loss before income tax	$ (30,496)	$ (34,635)
Income tax benefit calculated at the statutory rate	$ (6,099)	$ (6,927)
Nondeductible items in determining taxable income	7,916	8,600
Tax-exempt income	-	(32)
Unrecognized loss carryforwards/deductible temporary differences	(2,499)	(5,659)
Effect on tax rate change	-	(753)
Other	681	3,952
Income tax benefit recognized in profit or loss	$ (1)	$ (819)

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 89	$ 495

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Reclassified From Equity to Profit or Loss	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized loss on inventories	$ 72	$ (28)	$ -	$ -	$ 44
Unrealized exchange loss	237	121	-	-	358
Defined benefit obligation	8,432	215	437	-	9,084
Exchange differences on translating the financial statements of foreign operations	35,186	-	847	(733)	35,300
Payables for annual leave	553	147	-	-	700
Loss carryforwards	29,302	-	-	-	29,302
Others	170	-	-	-	170
	$ 73,952	$ 455	$ 1,284	$ (733)	$ 74,958
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gain	$ 257	$ 527	$ -	$ -	$ 784
Land value increment tax	9,477	-	-	-	9,477
Share of profit of subsidiaries and associates	23,623	(754)	-	-	22,869
	$ 33,357	$ (227)	$ -	$ -	$ 33,130

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 477	$ (405)	$ -	$ 72
Unrealized exchange loss	307	(70)	-	237
Defined benefit obligation	9,685	(2,488)	1,235	8,432
Exchange differences on translating the financial statements of foreign operations	28,664	-	6,522	35,186
Payables for annual leave	338	215	-	553
Loss carryforwards	24,909	4,393	-	29,302
Others	161	24	(15)	170
	$ 64,541	$ 1,669	$ 7,742	$ 73,952
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 408	$ (151)	$ -	$ 257
Land value increment tax	9,477	-	-	9,477
Share of profit (loss) of subsidiaries and associates	26,575	(2,952)	-	23,623
	$ 36,460	$ (3,103)	$ -	$ 33,357

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2019	**2018**
Loss carryforwards		
Expiry in 2027	$ 604	$ -
Expiry in 2028	38,727	38,727
Expiry in 2029	87,299	-
	$ 126,630	$ 38,727
Deductible temporary differences		
Impairment loss of property, plant and equipment	$ 213	$ 1,877

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	**Year of Expiry**
$ 147,114	2027
38,727	2028
87,299	2029
$ 273,140	

f. Income tax assessments

The income tax returns of the Company for all years through 2017 have been assessed by the tax authorities.

19. LOSS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic loss per share	$ (0.24)	$ (0.19)
Diluted loss per share	$ (0.24)	$ (0.19)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Year Ended December 31	
	2019	**2018**
Net loss for the year		
Loss for the year attributable to owners of the Company	$ (30,495)	$ (33,816)

Shares

Unit: In Thousand Shares

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic loss per share	127,378	179,384
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	127,378	179,384

If the Company settles the bonuses or remuneration paid to employees in cash or shares, the Company presumed that the entire amount of the bonuses or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	**2018**
Property, plant and equipment	$ 10,963	$ 10,418
Intangible assets	1,096	610
	$ 12,059	$ 11,028
An analysis of depreciation by function		
Recognized in operating costs	$ 5,168	$ 2,789
Recognized in operating expenses	5,795	7,629
	$ 10,963	$ 10,418
An analysis of amortization by function		
Recognized in operating expenses	$ 1,096	$ 610

b. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 7,261	$ 6,343
Defined benefit plans (Note 14)	2,575	2,871
	9,836	9,214
Other employee benefits	200,088	172,345
	$ 209,924	$ 181,559
Employee benefits expense summarized by function		
Recognized in operating costs	$ 58,686	$ 32,484
Recognized in operating expenses	151,238	149,075
	$ 209,924	$ 181,559

The Company's Articles of Incorporation stipulate the distribution of employees' compensation and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors.

As the Company reported net losses for the years ended December 31, 2019 and 2018, no employees' compensation and remuneration to directors and supervisors were estimated. The board of directors resolved not to distribute employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2019 and 2018 in their meetings on February 24, 2020 and February 25, 2019, respectively.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. CAPITAL MANAGEMENT

The Company maintains its capital to support equipment upgrades. The Company's capital management is to ensure there are sufficient financial resources and operation plans, in order to meet the needs of working capital, capital expenditures, research and development fees, debt repayment and dividend distribution over the next 12 months.

22. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 6,162	$ 6,162

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 7,308	$ 7,308

There were no transfers between Levels 1 and 2 as of the years ended December 31, 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as follows. An increase in long-term revenue growth rates or long-term pre-tax operating margins or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (1)	$ 659,924	$ 637,813
Financial assets at FVTOCI	6,162	7,308
Financial liabilities		
Amortized cost (2)	291,390	355,217

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables and guarantee deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise trade payables and other payables.

d. Financial risk management objectives and policies

The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Company is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Company's financial performance due to market fluctuation.

The corporate treasury function is reviewed by the Company's board of directors and audit committee in accordance with related rules and internal control systems. The Company should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Company's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (i.e., currency swap contracts). The Company could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Company's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD against the USD and the RMB. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The number below indicates an increase or a decrease in pre-tax profit associated with the NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of the NTD against the USD and the RMB, there would be an equal and opposite impact on pre-tax profit.

	USD Impact (i)		**RMB Impact (ii)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 860	$ (176)	$ 55	$ 112

i. This was mainly attributable to the exposure on outstanding receivables and financial assets at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB in cash flow hedges at the end of the reporting period.

b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments and cash flow as a result of changes in the market rate.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 310,000	$ 250,000
Cash flow interest rate risk		
Financial assets	157,955	89,969

Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Company's profit or loss would be as follows:

	Market Rate Change Impact	
	2019	**2018**
Profit or loss	$ 158	$ 90

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business-related credit risk

To maintain the quality of receivables, the Company has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Company's concentration of credit risk of 98% and 87% of total trade receivables as of December 31, 2019 and 2018, respectively, was related to the Company's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Company's finance department. However, since the Company's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Company has financial flexibility.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 330,750	$ -	$ -	$ -

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 398,709	$ -	$ -	$ -

23. TRANSACTIONS WITH RELATED PARTIES

The details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Company
Lite-On Technology Corporation	The Company's parent
Lite-On Japan Ltd.	Subsidiary of Lite-On Technology Corporation (associate before July 24, 2019, refer to Note 10 for the details)
Chi Mei Mold Co., Ltd.	Other related party
Lite-On Semiconductor Corp.	Other related party
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party
Lite-On Mobile India Private Limited (former name: Perlos Telecommunication & Electronic Components India Pvt Ltd.)	Subsidiary of Lite-On Technology Corporation
Lite-On Integrated Service Inc.	Subsidiary of Lite-On Technology Corporation
Silport Travel Corp.	Related party in substance
Silitech Technology Corporation Limited.	Subsidiaries
Silitech Technology Corporation Sdn. Bhd.	Subsidiaries
Xurong Electronic (Shenzhen) Co., Ltd	Subsidiaries

b. Sales of goods

		For the Year Ended December 31	
Item	Related Party Category	2019	2018
Sales of goods	Subsidiaries of Lite-On Technology Corporation	$ 49,314	$ 13,024
	Subsidiaries	22,953	11,902
	Other related parties	3,746	-
	The Company's parent	1,134	1,316
		$ 77,147	$ 26,242

The sale of goods to related parties were made at the Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

	For the Year Ended December 31	
Related Party Category	2019	2018
Subsidiaries - Silitech Technology Corporation Limited	$ 564,946	$ 708,578
Other related parties	6,678	3,740
Subsidiaries	5,068	2,358
	$ 576,692	$ 714,676

The purchases conditions to related parties had no significant difference with other non-related parties.

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31 2019	2018
Operating expenses	Other related parties	$ 4,069	$ 3,865
	The Company's parent	5,450	4,368
	Related party in substance	1,238	1,346
	Subsidiaries of Lite-On Technology Corporation	736	841
		$ 11,493	$ 10,420
Other revenue	Other related parties - Chi Mei Mold Co., Ltd.	$ 1,431	$ 1,431
	Other related parties	-	1,026
	The Company's parent	-	409
		$ 1,431	$ 2,866

The Company leases offices to Chi Mei Mold Co., Ltd. (other related party) for $119 thousand per month for the year 2019, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category	December 31 2019	2018
Trade receivables	Subsidiaries of Lite-On Technology Corporation	$ 5,215	$ 8,388
	Subsidiaries	1,535	2,230
		$ 6,750	$ 10,618
Other receivables	The Company's parent	$ 1,721	$ 116
	Subsidiaries	684	535
	Other related parties	-	1,586
	Subsidiaries of Lite-On Technology Corporation	-	144
		$ 2,405	$ 2,381

The outstanding trade receivables to related parties are unsecured.

f. Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category	December 31 2019	December 31 2018
Trade payables	Subsidiaries-Silitech Technology Corp. Ltd.	$ 148,349	$ 257,013
	Other related parties	2,072	2,163
		$ 150,421	$ 259,176
Other payables	Other related parties - Chi Mei Mold Co., Ltd.	$ 5,631	$ 7,893
	The Company's parent	1,981	1,522
	Subsidiaries of Lite-On Technology Corporation	63	67
	Related party in substance	57	93
		$ 7,732	$ 9,575

The outstanding trade payables from related parties are unsecured.

g. Disposal of associates

The Company sold all of its shares of its associate Lite-On Japan Ltd., to Lite-On Technology Corporation, refer to Note 10 for more information.

h. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 4,849	$ 4,819
Termination benefits	195	191
	$ 5,044	$ 5,010

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company and Lite-On Technology Corporation signed a mutual contract regarding registrar inquiries and management services, and the payment of relevant expenses would be shared by both companies according to the agreed proportion stated in the contract.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 5,870	29.93 (USD:NTD)	$ 175,702
EUR	834	33.5096 (EUR:NTD)	27,954
JPY	9,147	0.2749 (JPY:NTD)	2,514
RMB	256	4.3053 (RMB:NTD)	1,102
Non-monetary items			
Investments accounted for using the equity method			
USD	69,504	29.93 (USD:NTD)	2,080,253
Financial liabilities			
Monetary items			
USD	5,296	29.93 (USD:NTD)	158,498
EUR	4	33.5096 (EUR:NTD)	119
JPY	3,453	0.2749 (JPY:NTD)	949

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 8,219	30.6650 (USD:NTD)	$ 252,042
EUR	501	35.1574 (EUR:NTD)	17,605
JPY	6,163	0.2776 (JPY:NTD)	1,711
RMB	499	4.4836 (RMB:NTD)	2,239
Non-monetary items			
Investments accounted for using the equity method			
USD	109,581	30.6650 (USD:NTD)	3,360,288
JPY	256,398	0.2776 (JPY:NTD)	71,176
Financial liabilities			
Monetary items			
USD	8,334	30.6650 (USD:NTD)	255,558
EUR	39	35.1574 (EUR:NTD)	1,364
JPY	3,730	0.2776 (JPY:NTD)	1,036

The significant unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.8681 (USD:NTD)	$ 2,239	30.1843 (USD:NTD)	$ 108
RMB	4.4882 (RMB:NTD)	(45)	4.5518 (RMB:NTD)	12
EUR	33.535 (EUR:NTD)	(66)	35.1574 (EUR:NTD)	(22)
JPY	0.2776 (JPY:NTD)	3	0.2727 (JPY:NTD)	3
		$ 2,131		$ 101

26. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 2 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 3 below.

9) Trading in derivative instruments: None.

10) Information on investees: See Table 4 below.

c. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 5 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 6 below.

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

SILITECH TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	Member of the board of directors	Financial assets at FVTOCI	1,300	$ 6,162	10.00	$ 6,162	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note

Note: The carrying values of financial instruments were all assessed for impairment.

TABLE 2

SILITECH TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	$ 564,946	71	90 days	No significant difference	90-120 days	$ (148,349)	60	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US$ 18,033 JPY 8,546 EUR 159	100	90 days	No significant difference	90-120 days	US$ 4,921 JPY 3,453 EUR 4	100	

SILITECH TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Inter-trade Receivables	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
					Amount	Action Taken			
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	US$ 4,921 JPY 3,453 EUR 4	2.4	$ -	-	US$ 2,865 JPY 1,839	$ -	

TABLE 4

SILITECH TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee	Share of Profits/(Losses) of Investee	Note
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US$ 52,182	US$ 95,182	52,182	100.00	$ 2,080,253	US$ 3,068	$ 94,374	Subsidiary (Note 1)
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	JPY -	JPY 197,040	-	-	-	JPY -	664	(Note 2)

Note 1: Refer to Table 5 for information on investments in mainland China.

Note 2: On June 3, 2019, the Company's board of directors resolved to sell all of its shares of its associate Lite-On Japan Ltd. and signed a tender offer agreement with Lite-On Technology Corporation. Refer to Note 10 for the related information.

SILITECH TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/(Losses) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of touch panels and plastic and rubber assemblies	$ 83,804 (US$ 2,800)	Note 1	$ 203,354	$ -	$ -	$ 203,354	$ (62,602) (RMB -13,948)	100	$ (62,602) (RMB -13,948)	$ 519,932 (RMB 120,804)	$ 4,116,628 (US$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	808,110 (US$ 27,000)	Note 1	2,334,540 (US$ 78,000)	-	1,286,990 (US$ 43,000)	1,047,550 (US$ 35,000)	(2,684) (RMB -598)	100	(2,684) (RMB -598)	93,477 (RMB 21,719)	1,235,510 (US$ 8,796) (RMB 214,783)	(Notes 6 and 8)

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ 1,340,694 (Note 4) (US$ 38,000) (NT$ 203,354)	$ 2,774,491 (Note 4) (US$ 85,905) (NT$ 203,354)	$6,864,740 (Note 3)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.

Note 3: The Company's upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation's net worth or worth of $80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $2,521,003 (net worth) × 60% ＋ $5,352,138 ＝ $6,864,740.

Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC are as follows:

Name of Investee	Order No.	Approved Amounts	
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT$	203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US$	3,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09600170390	US$	20,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09600164790	US$	2,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09500326290	US$	11,000
Silitech Technology (Suzhou) Co., Ltd. (liquidated in January 2020) (Note 8)	09700434630	US$	45,000
Silitech Plating (Shenzhen) Co., Ltd. (liquidated in September 2012)	09500004400	US$	605
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US$	1,200
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US$	1,500
Silitech Surface Treatment (Shenzhen) Co., Ltd. (liquidated in December 2012)	09900449200	US$	1,600

Note 5: Including accumulated investment of US$2,700 thousand which is not from Taiwan (ROC).

Note 6: Silitech Technology (Suzhou) Co., Ltd.'s original paid-in capital was US$78,000 thousand. On September 13, 2018, the board of directors decided to return US$51,000 thousand through a capital reduction in cash to its upper level shareholders, Silitech (Hong Kong) Holding Ltd., which is a holding company located in a third area. On January 3, 2019, the board of directors of Silitech (Hong Kong) Holding Ltd. resolved a capital reduction in cash and refunded US$53,000 thousand to its upper level shareholders, Silitech (Bermuda) Holding Ltd. From February 2019 to August 2019, the board of directors of Silitech (Bermuda) Holding Ltd. and Silitech (BVI) Holding Ltd. decided to implement a cash capital reduction and each refunded US$43,000 thousand to their upper level shareholders.

Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of US$58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

Note 8: Silitech Technology (Suzhou) Co., Ltd. was dissolved after liquidation in January 2020. The share capital of RMB 21,720 thousand was remitted to Silirech (Hong Kong) Holding Ltd.

TABLE 6

SILITECH TECHNOLOGY CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Sale	$ 20,951	2	No significant difference	90 days	90-120 days	$ 599	-	$ -	-
	Purchase	564,946	71	No significant difference	90 days	90-120 days	(148,349)	60	511	-

6.6 Financial Difficulties and Impacts

The Company should disclose the financial impact if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2019 and as of the date of this Annual Report (The term "affiliates" refers to entities meeting the requirements set forth under Article 369-1 of the Company Act.): None.

Financial Status, Operating Results and Risk Management

7.1 Financial Status

Unit: NT$ thousands; %

Item \ Year	2018	2019	Difference	
			Amount	%
Current Assets	3,972,433	2,665,563	(1,306,870)	(33)
Property, Plant and Equipment	502,160	454,030	(48,130)	(10)
Other Non-current Assets	269,389	225,806	(43,583)	(16)
Total Assets	4,743,982	3,345,399	(1,398,583)	(29)
Current Liabilities	881,038	714,824	(166,214)	(19)
Non-current Liabilities	99,356	109,572	10,216	10
Total Liabilities	980,394	824,396	(155,998)	(16)
Capital Stock	1,793,838	600,000	(1,193,838)	(67)
Capital Surplus	507,154	507,154	0	0
Retained Earnings	1,745,437	1,698,359	(47,078)	(3)
Total Equity	3,763,588	2,521,003	(1,242,585)	(33)

Analysis of deviation over 20%: None.

1. Decreased in current assets：Due to capital reduction by cash.
2. Decreased in total assets：Expalined as 1st analysis.
3. Decreased in capital stock：Due to capital reduction by cash.
4. Decreased in total equity：Expalined as 3rd analysis.

7.2 Operating Results

Unit: NT$ thousands; %

Item \ Year	2018	2019	Difference	%
Operating Revenue	2,251,044	2,295,774	44,730	2
Cost of Goods Sold	1,963,868	1,948,940	(14,928)	(1)
Gross Profit	287,176	346,834	59,658	21
Operating Expenses	440,512	432,497	(8,015)	(2)
Income (Loss) from Operations	(153,336)	(85,663)	67,673	44
Non-operating Income and Expenses	196,391	86,744	(109,647)	(56)
Income (Loss) before Income Tax	43,055	1,081	(41,974)	(97)
Income Tax Expense (Benefit)	76,871	31,576	(45,295)	(59)
Net Income (Loss)	(33,816)	(30,495)	3,321	10

7.2.1 Analysis of Deviation over 20%:

- Increased in gross profit: due to PRC factory executed the capacity downsizing, adjustment plan and the revenue increased for Automotive Components.
- Decreased in loss from operations: due to gross profit increased.
- Decreased in non-operating income and expenses: due to no disposal gain on property, plant and equipment for Suzhou Factory in 2019.
- Decreased in net income before tax: explained as above.
- Decreased in income tax expenses: mainly due to no income tax incurred, from disposal on property, plant and equipment for Suzhou Factory in 2019.

7.2.2 Sales Forecast, Major Impact and Future Plan

The direction of the Company's operation has applied to different industries and products which are divided into two categories: Mechanical Integration and Automotive Components. In Mechanical Integration: the Company has continuously developed new cross-industry applications such as the wearable industry and smart watch strap modules, smart lock modules, netcom components and optical mechanism module and other fields. In Automotive Components: in addition to solidly profitable automotive interior components, the Company also developed new technologies for interior mechanical components. Besides the capital reduction in 2019 to adjust the capital structure, and the subsidiary, Xurong, to gradually reduce the production in its factory in 2020 and the factory will be closed in accordance with the laws, the implementation of this adjustment plan will relocate resources and expand investment in the new technology development and capacity expansion of the Taiwan plant and the Malaysia plant. It will strengthen the operation efficiency and the Company is going toward its profitable, not big but positive way.

7.3 Cash Flow

7.3.1 Analysis of Cash Flow

Unit: NT$ thousands

Cash Balance 2019/1/1 (1)	Net Cash from Operating Activities in 2019 (2)	Net Cash Flow from Investing and Financing Activities in 2019 (3)	Cash Balance 2019/12/31 (1)+(2)+(3)	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
2,698,619	91,871	(839,382)	1,951,108	Not Applicable	

- Analysis of Cash Flow:
  1. NT$91,871 thousand net cash generated by operating activities: mainly due to operating income and expenses.
  2. NT$410,009 thousand net cash used in investing activities: mainly due to the disposal of the affiliate, the land use right and buildings of Suzhou factory and the purchase of property, plant and equipment.
  3. NT$1,254,522 thousand net cash used in financing activities: mainly due to capital reduction to refund cash to shareholders and the repayment of lease principal.
  4. NT$5,131 thousand net cash inflow caused by effects of exchange rate changes.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.3.2 Analysis of Liquidity

Item \ Year	2018	2019	%
Cash Flow Ratio (%)	(34.01)	12.85	138
Cash Flow Adequacy Ratio (%)	8.78	8.85	1
Cash Flow Reinvestment Ratio (%)	(5.40)	2.13	139

- Analysis of deviation over 20%:
  1. Increased in Cash Flow Ratio (%): due to net cash inflow increased from operating activities.
  2. Increased in Cash Flow Reinvestment Ratio (%): explained as above.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.3.3 Cash Flow Projection for Next Year

Unit: NT$ thousands

Cash Balance 2020/1/1 (1)	Projected Net Cash from Operating Activities in 2020 (2)	Projected Net Cash Flow from Investing and Financing Activities in 2020 (3)	Projected Cash Balance 2020/12/31 (1)+(2)+(3)	Projected Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,951,108	(227,721)	(69,575)	1,653,812	Not Applicable	

- Analysis of Cash Flow Projection:
  1. Estimate NT$227,721 thousand net cash used in operating activities: mainly due to operating income, expenses, and the layoff expenses of Xurong factory.
  2. Estimate NT$69,575 thousand net cash used in investing activities: mainly due to the purchase of property, plant and equipment and the disposal of the equipment of Xurong factory.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.4 Major Capital Expenditures and Impact on Financial and Business

7.4.1 Major Capital Expenditures and Source of Funds

Unit: NT$ thousands

Item	Actual or Expected Source of Funds	Total Amount	Actual or Scheduled Use of Funds		
			2018	2019	2020
Production equipment and facilities	Working Capital	258,543	96,297	65,475	96,771
Others	Working Capital	61,759	32,846	12,511	16,402
Total		320,302	129,143	77,986	113,173

7.4.2 Expected Benefits and Impact on Financial and Business:

The above capital expenditures are required for business expansion and the funds required are funded by working capital.

7.5 Long-term Investment Policy

The Company's Board of Directors on April 2020 resolved the subsidiary, Xurong, to gradually reduce the production in its factory and the factory will be closed in accordance with the laws. In the future, Mechanical Integration and automotive interior mechanical modules/components will continue to grow steadily, and the implementation of this adjustment plan will relocate resources and expand investment in the new technology development and capacity expansion of the Taiwan plant and the Malaysia plant. It will strengthen the operation efficiency, integrate industry trends and focus on the deepening of core technologies. The investment will be focused on the core business of the Company.

7.6 Risk Management

7.6.1 The impact of recent interest rates, exchange rate changes, and inflation on the company's profit and loss in the recent year and future measures

Changes in interest rates and inflation have no material impact on Silitech's operations and profit or loss. As for the exchange rate changes, due to Silitech's export sales, in order to avoid the impact of exchange rate fluctuations, Silitech uses foreign exchange spot and forward contracts to avoid exchange rate fluctuation risks. At the same time, in addition to maintaining close contact with the banks, Silitech will continue to refer to domestic and foreign professional economic reports and data, and immediately grasp the changes in the global economic situation.

7.6.2 The main reasons for the policy, profit or loss of high-risk, high-leverage investment, loan to others, endorsement/guarantee and derivative transactions in the recent year and future measures

Silitech does not engage in high-risk, highly leveraged investments, loans to others and endorsements/guarantee. With regard to the loan of funds to others, endorsement guarantees and derivative transactions, Silitech has formulated the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees” and “Procedures for the Acquisition and Disposal of Assets” to regulate the loan of funds to others, endorsement guarantees and derivatives. The derivative transactions dealt by Silitech are for the purpose of hedging only.

7.6.3 Research and development plans in the recent year and future plans

Silitech has developed in the smart key, automotive interior glass and optical module products industry. In addition to providing customers with pre-product design and research and development flexible services, Silitech also implements the planning and execution of advanced manufacturing (pre-intelligent manufacturing) to improve production efficiency. Relevant research and development plans and progress will be carried out according to the plan. In the future, we will continue to invest in product research and development, key factors such as talents, capital and technology, and maintain the leading position in research and development capabilities. The estimation of R&D expenses is around NT$ 100 million in 2020.

7.6.4 Impact of material domestic and international policies and legal changes on the company's financial and business in the recent year and corresponding measures

Silitech's operation complies with the relevant current laws and regulations of domestic and foreign countries. In addition to providing legal change information through online collection and legal counsel employed at home and abroad, overseas subsidiaries also irregularly provide important local policies and laws for reference of the management team. Therefore, Silitech can reply the changes in material policies and laws effectively.

7.6.5 Impact of recent technological changes and industry changes on the company's financial and business and corresponding measures

Silitech is one of the leading manufacturers in the industry. R&D technology and innovation are indispensable for operation. It is also a major competitive advantage of Silitech. Therefore, the technology change has positive effects on the financial and business of the Company. Silitech will also continue to maintain its leading position in R&D technology. Recent cases of violations of intellectual property rights have led to an increase in intellectual property risks faced by enterprises in market competition. It highlights that the operation and protection of intellectual property have a significant impact on the Company's operation and development prospects. Therefore, the Company has formulated "Trade Secret Management Procedure", "Reward For Patent Invention Policy", "Information Security Policy & Management Procedure" and trademark management, in regards to the creation, protection, application, and subsequent value of the intellectual property rights, so that the risk of intellectual property rights of the company can be effectively controlled and disputes can be prevented, so as to achieve the maximum value of intellectual property rights.

7.6.6 The impact of corporate image changes in recent years on corporate crisis management and corresponding measures

Silitech's business objectives are based on the principle of sound and ethical management, the corporate image is good, attracting many outstanding talents, and planting the strength of the management team, and then returning the operating results to the shareholders, and fulfilling the social responsibilities, so there will not be any negative impacts on the image of Silitech. Silitech will continue to do its best to maximize the shareholders' interests, fulfill the corporate social responsibility and make the corporate image even better.

7.6.7 Expected benefits and possible risks of M&A in the recent year

Silitech has not conducted any mergers and acquisitions in the most recent year and up to the date of publication of the annual report.

7.6.8 Expected benefits and possible risks of expansion of the plant in the recent year

Please refer to 7.4 Major Capital Expenditures and Impact on Financial and Business.

7.6.9 Risks of purchase or sales concentration in the recent year

Silitech has been established from the spin-off of Silitek Corporation Rubber BU. It has many years of profound cooperation experience and partnership with material suppliers. The raw material procurement of Silitech's global production base are negotiated together. When purchasing materials, there is a relative bargaining power and a stable supply source. In addition, Silitech has a large variety source of purchases and no centralized purchase.
The customers of Silitech are mainly international manufacturers or EMS. Silitech is more active in business development for different customers and developing product applications to expand customer base. Therefore, Silitech has no risk on sales concentration.

7.6.10 Directors or shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the company and risks: None.

7.6.11 Impact of changes in management rights on the company and risks: Not applicable.

7.6.12 Litigation or non-litigation

Should the Company, its directors, general managers, substance representatives, subordinate companies and major shareholders holding more than 10% of the shares in the last two years have the litigation, non-litigation or administrative disputes up to the date of this annual report: None.

7.6.13 Policy and organizational structure of risk management

- **Organization and operation of risk management**

There are considerable variables in operation, growth and even scale adjustments of a company. Silitech pursues the maximization of shareholders' interests and protects all employees and reduces its operating risks in a responsible manner. According to this spirit, the risk management procedure is established, and the management cycle is divided into four categories: project category, operation category, improvement category and other category. Aiming at possible risk causes, each cycle of risk management has its responsible unit. The timing of prevention planning, preventive measures, review cycle, etc., will be proposed by the responsible units. The review of improvement plan will be served as a reference for similar events in the future.

Silitech's operational risk management is divided into three levels for management and control: the responsible unit is the first mechanism, and it takes responsibility for the design, prevention and prevention of the initial risk detection, evaluation and control of the operation. The second mechanism is the evaluation committee chaired by the president. In addition to the feasibility assessment, it also includes assessments of various risks. The third mechanism, it includes audit department's review of the potential operational risks, regular internal audit reports to the board of directors, and review of the board of directors.

- **Organization table of risk management**

Important risk assessment	Responsible Unit (first mechanism)	Risk review and control (second mechanism)	BOD and Audit Department (third mechanism)
1. Interest rates, exchange rates and financial risks 2. High-risk, high-leverage investment, l loans to others, endorsement guarantees and derivative commodity transactions and financial management investment	Treasury Unit	Finance Department Assessment	Board of Directors: decision and final control of risk assessment Control Audit Department: risk

3. Research and development plan 4. Policy and legal changes 5. Technology and industry changes 6. Corporate image change 7. Merger benefits 8. Expansion of the plant or production 9. Centralized purchase or sales	R&D Department Legal Office President's Office Finance Department Sales Department (including sales, procurement, manufacturing, production management, quality control and quality assurance)	R&D, operation and production and sales meetings	inspection, assessment, supervision, improvement tracking and reporting
10. Equity movement of directors or major shareholders 11. Changes in management rights	Finance Department	Management meeting	
12. Litigation or non-litigation matters	Legal Office	Legal meeting	
13. Personnel behavior, morality and integrity	Supervisors Human Resource Department	Human resources meeting	
14. Management of the board of directors	Finance Department	Legal Office, Audit Department	

7.6.14 Other Important Risks and Corresponding Measures:

Information Security: Information processing is an important part of the company's daily operations. Silitech is committed to safeguarding the security of the company's information assets such as information, equipment, employees, and networks, and to prevent internal and external threats, damages, deliberate or accidental. Therefore, The scope of information security at the company formulates Information Security Policy encompasses employees, clients, suppliers, and shareholders and all IT software and hardware associated with its business activities that is not only for the IT department's reference in planning, implementing and evaluating information business, but also should be followed by all employees.

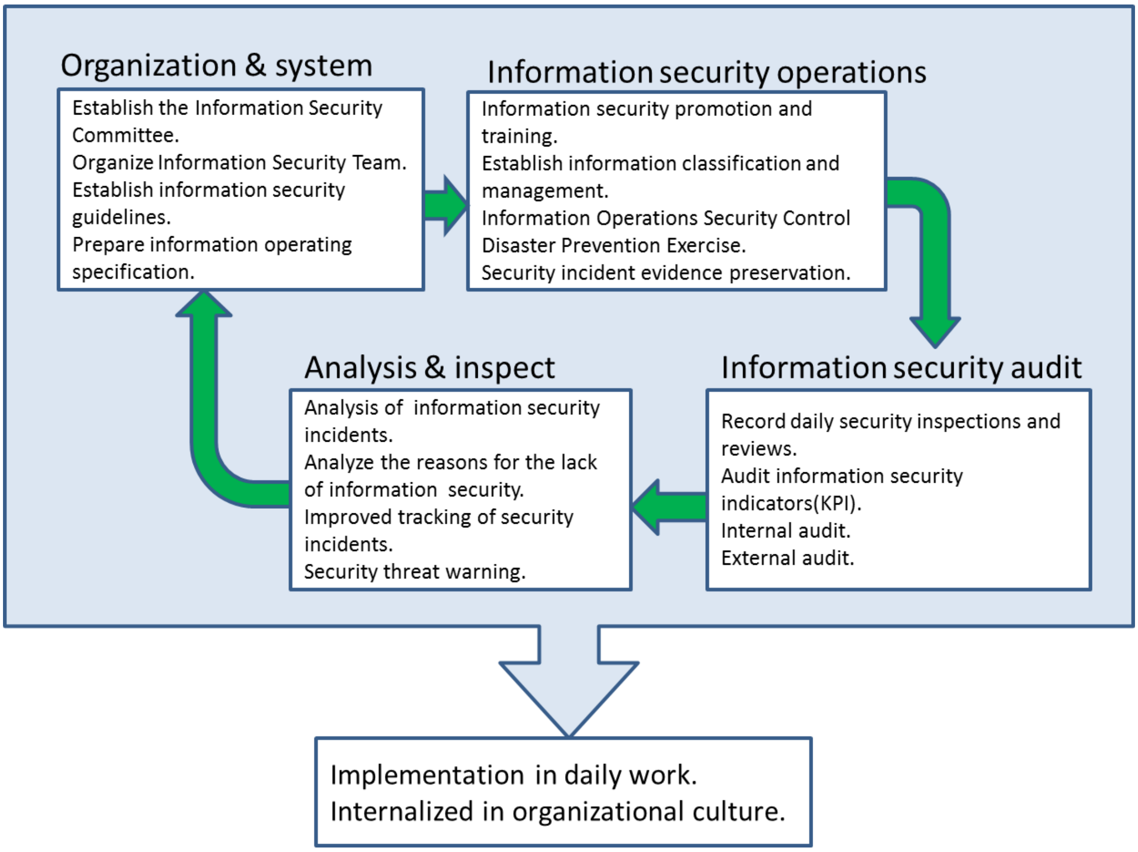
The Silitech's Information Security Policy is based on the Information Security Regulations established by the Executive Yuan and its affiliated agencies, and refers to various rules of standard operating procedures and work instructions issued by the Silitech. The abstracts are the following:

- **To establish the "Information Security Committee"**

  "Information Security Committee" has the supreme authority on the company's information security. The general manager is the chairman of the committee, the third-level directors of the company are the members of the committee, and the director

of the IT department is the convener. The information security meeting will be hosted as needed.
Its missions are to formulate and evaluate the company's information security policies or information incidents review and supervision of security matters.

- **To organize Information Security Team**
  It is composed of the company's IT department team members. It’s responsible for information security monitoring and to ensure company’s information systems running normally include software and hardware, and equipment maintenance.
- **To establish information security guidelines**
  Based on the Silitech's Information Security Policy, to prepare standard operating procedures and work instructions as a basis for daily information security operations.
- **To training and publish information security propaganda regular**
  The Information Security Team should host information security training to improve employees' knowledge of information security and provide the best practice of their working which related to information security.
  To make information security announcements regular, let all employees know about the latest information security threats and what they should be noticed.
  Implementation of Information Security Management Blueprint



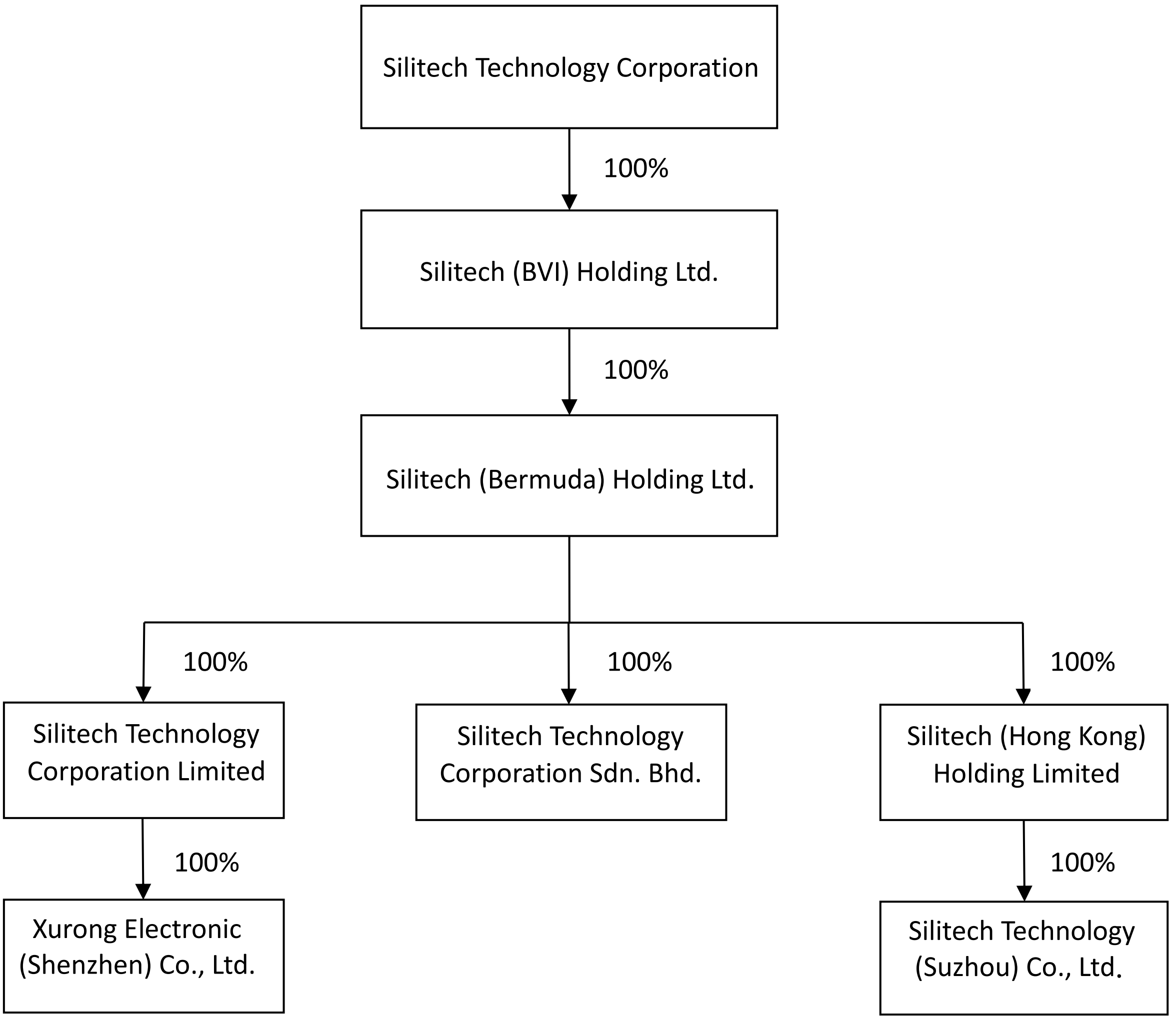
7.7 Other Important Matters: None.

Other Special Notes

8.1 Affiliates Information

8.1.1 Affiliated Organization Chart

2019/12/31



8.1.2 Consolidated Business Report of Affiliates

◆ **Background Information of the Affiliated Companies**

2019/12/31
Unit: thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Silitech (BVI) Holding Ltd.	2001/09/27	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	USD 52,182	Investment activities
Silitech (Bermuda) Holding Ltd.	2002/08/28	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda	USD 52,132	Investment activities
Silitech Technology Corporation Sdn. Bhd.	2002/05/09	1528, MK 15, Jalan Besar, 14200 Sungai Jawi, Seberang Perai Selatan Penang, Malaysia	USD 5,632	Manufacture of plastic and computer peripheral products
Silitech Technology Corporation Limited	2002/01/16	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 8,000	Manufacture of plastic and computer peripheral products
Silitech Technology (Suzhou) Co., Ltd.	2005/06/08	3F, No. 4,Building 12, No. 8, Gucun Road, Xukou Town, Wuzhong District, Suzhou, Jiangsu	USD 27,000	Manufacture and sale of rubber assembly and automotive parts
Xurong Electronic (Shenzhen) Co., Ltd.	1999/12/24	No. 539 (Building A, C, D, E) Nanhuan Road, Shajing Town, Baoan District. Shenzhen, Guangdong	USD 2,800	Manufacture and sale of touch panels and plastic and rubber assemblies
Silitech (Hong Kong) Holding Limited	2007/10/17	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 24,200	Investment activities

- **Presumed to Have Control and Affiliation Common Shareholders Information:** None

- **Business Scope of the Company and Affiliated Companies:**
  The business scope includes investment, manufacturing, trading and electronics industries.

- **Rosters of Directors, Supervisors, and Presidents of Affiliated Companies:**

2019/12/31

Company	Title	Name	Shareholding: Shares (Investment Amount)	Shareholding: % (Investment Holding %)
Silitech (BVI) Holding Ltd.	Director	Raymond Soong	Silitech Technology Corporation holds 52,182 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Silitech (Bermuda) Holding Ltd.	Director	Raymond Soong	Silitech (BVI) Holding Ltd. holds 52,132 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Silitech Technology Corporation Sdn. Bhd.	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 21,400 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
	Director/President	Tye LeeKeong		
Silitech Technology Corporation Limited	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 62,400 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Xurong Electronic (Shenzhen) Co., Ltd.	Director	Raymond Soong	Silitech Technology Corporation Limited's Investment RMB 37,131 thousand	100%
	Director	Warren Chen		
	Director/President	James Huang		
	Supervisor	Sarah Cheng		
Silitech Technology (Suzhou) Co., Ltd.	Director	Raymond Soong	Silitech (Hong Kong) Holding Limited's investment USD 27,000 thousand	100%
	Director	Warren Chen		
	Director/President	James Huang		
	Supervisor	Sarah Cheng		
Silitech (Hong Kong) Holding Limited	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 24,200 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		

◆ **Operational Highlights of Affiliated Companies**

2019/12/31

Unit: NT$ thousands (Except EPS: NT$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Operating Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Silitech (BVI) Holding Ltd.	1,561,805	2,080,932	5	2,080,927	0	(103)	94,703	1.81
Silitech (Bermuda) Holding Ltd.	1,560,309	2,063,445	0	2,063,445	0	(906)	78,775	1.51
Silitech Technology Corporation Limited	285,774	726,975	148,572	578,403	564,838	(331)	(60,250)	(0.97)
Xurong Electronic (Shenzhen) Co., Ltd.	99,831	766,886	246,954	519,932	838,462	(85,169)	(62,602)	NA
Silitech Technology Corporation Sdn. Bhd.	156,987	798,059	304,861	493,198	1,098,642	138,704	118,311	5.53
Silitech Technology (Suzhou) Co., Ltd.	930,747	93,476	0	93,476	0	(8,787)	(2,684)	NA
Silitech (Hong Kong) Holding Limited	873,845	159,484	905	158,579	0	(1,308)	2,738	0.11

Note: The amounts of capital stock, assets, liabilities and net worth are converted at the exchange rate of 2019/12/31; operating revenues, income (loss) from operation, net income (loss), basic earnings (loss) per share are converted according to the average exchange rate of 2019.

8.1.3 Consolidation of Financial Statements of Affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 24, 2020

8.1.4 Affiliation Report

DECLARATION OF AFFILIATION REPORT

The Company hereby declares that the Company’s 2019 Affiliation Report (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 notes to financial statements for the above period.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 24, 2020

February 24, 2020 Deloitte & Touche No. 10904536

Addressee: Silitech Technology Corporation
Subject: Comments on the declaration of affiliation report certifying no significant inconsistencies in the information disclosed in your 2019 Affiliation Report

Descriptions:

1. You declared that your 2019 Affiliation Report (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” on February 24, 2020, and there are no significant inconsistencies between the information disclosed herein and the supplementary information disclosed in the notes to financial statements for the above period. For the Declaration of Affiliation Report, please see the attachment hereto.
2. We have audited your Affiliation Report prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and compared it with the notes to your 2019 financial statements. As a result, we found no significant inconsistences from said declaration of statement.

Deloitte & Touche
Yung-Hsiang Chao, CPA
Jr-Shian Ke, CPA

Silitech Technology Corporation

Affiliation Report

2019

1. Relationship between the subordinate company and the controlling company

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and managers representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
Lite-On Technology Corporation	Control the Company's personnel and business directly or indirectly	20,322,003	33.87	-	Chairman Director Director Director	Raymond Soong Warren Chen Charlie Tseng King, Yung-Chou

2. Information on transactions

(1) Purchase (sales) transactions: In 2019, the Company sold goods of NT$1,134 thousand to Lite-On Technology Corporation.

(2) Property transaction: None.

(3) Capital financing: None.

(4) Assets leasing: None.

(5) Other important transactions: The Company and Lite-On Technology Corporation signed a contract regarding stock affair consulting, management and related services, which amounted to NT$ 5,450 thousand in 2019.

(6) Endorsements/guarantees: None.

8.2 Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report: None.

8.3 The Company's Common Shares Acquired, Disposed Of and Held by Subsidiaries: None.

8.4 Other Necessary Supplement: None.

Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act: None.