BAOTEK INDUSTRIAL MATERIALS LTD.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

Opinion

We have audited the accompanying consolidated balance sheets of BAOTEK INDUSTRIAL MATERIALS LTD. and subsidiary (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cutoff of warehouse sales revenue

Description

Refer to Note 4 (24) for details of revenue recognition. The Group recognises sales revenue when goods are drop-shipped from factories directly and when customers accept the goods. The supporting documents of revenue recognition include reports or other information provided by warehouse custodians and inventory movement record of warehouse.

As there are hubs located around the world and numerous custodians, the frequency and contents of statements provided by custodians vary, and customers are in various locations around the world, the process of revenue recognition contains numerous manual procedures. Since there are numerous daily revenue from hubs and from FOB destination and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cutoff has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained an understanding of the Group's operations and industry, and assessed the reasonableness of the policy and procedures to recognise revenue.
2. Assessed and checked the appropriateness of cutoff of sales revenue around the balance sheet date, and verified the statements provided by the warehouse custodian.
3. Confirmed the inventory quantities with warehouse custodian and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies and accounting records and tested the reconciling items made by the Group in order to confirm whether the significant differences have been adjusted.
4. Confirmed the inventory quantities by performing physical inventory count observation and agreed the results to accounting records

Allowance for inventory valuation losses

<u>Description</u>

Refer to Note 4(12) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of inventories. As of December 31, 2019, inventory and allowance for inventory valuation losses amounted to NT$358,859 thousand and NT$6,684 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of electronic glass fabrics which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Thus, we consider the allowance for inventory valuation losses a key audit matter.

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

We performed the following audit procedures relative to the above key audit matter:

1. Ascertained whether the policies on allowance for inventory valuation losses were reasonable and consistently applied in all the periods.
2. Validated the accuracy of inventory aging report, sampled and confirmed the consistency of quantities and amounts indicated in the inventory listing, and verified the proper categorization of inventory aging report.
3. Evaluated and confirmed the reasonableness of net realisable value, and examined the reasonableness of provision for allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of BAOTEK INDUSTRIAL MATERIALS LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory

Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ROC GAAS, we exercise professional 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Chiang, Tsai-Yen	Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 23,233	1	$ 30,757	2
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	213	-
1120	Current financial assets at fair value through other comprehensive income	6(3)	76,223	4	69,120	3
1136	Current financial assets at amortised cost	6(4)	5,096	-	-	-
1170	Accounts receivable, net	6(5)	389,550	20	376,801	19
1180	Accounts receivable - related parties	6(5) and 7	91,244	5	91,832	5
1200	Other receivables		15,185	1	16,777	1
1210	Other receivables - related parties	7	74	-	-	-
130X	Inventory	6(6)	352,175	18	387,440	20
1410	Prepayments	7	17,683	1	23,236	1
1470	Other current assets		11,084	-	3,803	-
11XX	**Total current assets**		981,547	50	999,979	51
	Non-current assets					
1600	Property, plant and equipment	6(7), 7 and 8	963,536	49	937,039	48
1755	Right-of-use assets	6(8)	4,246	-	-	-
1840	Deferred income tax assets	6(21)	28,992	1	16,062	1
1900	Other non-current assets		2,650	-	3,638	-
15XX	**Total non-current assets**		999,424	50	956,739	49
1XXX	**Total assets**		$ 1,980,971	100	$ 1,956,718	100

(Continued)

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term loans	6(9) and 8	$ 16,000	1	$ 89,377	5
2170	Accounts payable		15,945	1	25,747	1
2180	Accounts payable - related parties	7	167,275	8	163,076	8
2200	Other payables	6(10)	93,841	5	94,484	5
2220	Other payables - related parties	6(10) and 7	1,464	-	4,707	-
2280	Current lease liabilities		3,520	-	-	-
2300	Other current liabilities	6(15)	519	-	169	-
21XX	**Total current liabilities**		298,564	15	377,560	19
	Non-current liabilities					
2580	Non-current lease liabilities		753	-	-	-
2600	Other non-current liabilities	6(11)	9,643	1	27,831	2
25XX	**Total non-current liabilities**		10,396	1	27,831	2
2XXX	**Total liabilities**		308,960	16	405,391	21
	Equity attributable to owners of parent					
	Share capital	6(12)				
3110	Share capital - common stock		1,948,940	98	1,948,940	99
	Retained earnings	6(13)				
3350	Accumulated deficit		(224,669)	(11)	(338,032)	(17)
	Other equity interest	6(14)				
3400	Other equity interest		(52,260)	(3)	(59,581)	(3)
31XX	**Equity attributable to owners of the parent**		1,672,011	84	1,551,327	79
3XXX	**Total equity**		1,672,011	84	1,551,327	79
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 1,980,971	100	$ 1,956,718	100

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

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(15) and 7	$ 1,479,692	100	$ 1,625,912	100
5000	**Operating costs**	6(6)(19)(20) and 7	(1,277,714)	(86)	(1,374,266)	(84)
5900	**Net operating margin**		201,978	14	251,646	16
	Operating expenses	6(19)(20) and 7				
6100	Selling expenses		(29,437)	(2)	(30,422)	(2)
6200	General and administrative expenses		(56,611)	(4)	(62,836)	(4)
6300	Research and development expenses		(10,401)	(1)	(7,664)	-
6000	**Total operating expenses**		(96,449)	(7)	(100,922)	(6)
6900	**Operating profit**		105,529	7	150,724	10
	Non-operating income and expenses					
7010	Other income	6(16)	8,244	1	8,679	-
7020	Other gains and losses	6(17) and 7	(12,073)	(1)	12,653	1
7050	Finance costs	6(18)	(708)	-	(3,198)	-
7000	**Total non-operating income and expenses**		(4,537)	-	18,134	1
7900	**Profit before income tax**		100,992	7	168,858	11
7950	Income tax expense (benefit)	6(21)	12,818	1	(855)	-
8200	**Profit for the year**		$ 113,810	8	$ 168,003	11
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Loss) gain on defined benefit plans	6(11)	($ 559)	-	$ 238	-
8316	Unrealized valuation losses on equity instruments at fair value through other comprehensive income	6(3)(14)	7,321	-	(11,466)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	112	-	38	-
8310	**Other comprehensive (loss) income(loss) that will not be reclassified to profit or loss**		6,874	-	(11,190)	(1)
8300	**Total other comprehensive income (loss) for the year**		$ 6,874	-	($ 11,190)	(1)
8500	**Total comprehensive income for the year**		$ 120,684	8	$ 156,813	10
	Profit attributable to:					
8610	Owners of the parent		$ 113,810	8	$ 168,003	11
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 120,684	8	$ 156,813	10
	Earnings per share (in dollars)					
9750	**Basic and diluted earnings per share**	6(22)	$	0.58	$	0.86

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

BAOTEK INDUSTRIAL MATERIALS Ltd. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent				
				Other equity interest		
	Notes	Share capital - common stock	Accumulated deficit	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total equity
2018						
Balance at January 1, 2018		$ 1,948,940	($ 507,509)	$ -	($ 46,603)	$ 1,394,828
Effects of retrospective application and retrospective restatement		-	1,512	(48,115)	46,603	-
Balance at January 1, 2018 after adjustments		1,948,940	(505,997)	(48,115)	-	1,394,828
Net income		-	168,003	-	-	168,003
Other comprehensive income (loss)	6(3)(11)(14)	-	276	(11,466)	-	(11,190)
Total comprehensive income		-	168,279	(11,466)	-	156,813
Disposal of financial asset at fair value through other comprehansive income		-	(314)	-	-	(314)
Balance at December 31, 2018		$ 1,948,940	($ 338,032)	($ 59,581)	$ -	$ 1,551,327
2019						
Balance at January 1, 2019		$ 1,948,940	($ 338,032)	($ 59,581)	$ -	$ 1,551,327
Net income		-	113,810	-	-	113,810
Other comprehensive income	6(3)(11)(14)	-	(447)	7,321	-	6,874
Total comprehensive income		-	113,363	7,321	-	120,684
Balance at December 31, 2019		$ 1,948,940	($ 224,669)	($ 52,260)	$ -	$ 1,672,011

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

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 100,992	$ 168,858
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(17)	213	(213)
Depreciation	6(7)(8)(19)	94,753	81,151
Expected credit losses	12(2)	148	-
Gain on disposal of property, plant and equipment	6(17)	(380)	(288)
Gain on disposal of investments	6(17)	-	(1,770)
Interest income	6(16)	(302)	(192)
Interest expense	6(18)	708	3,198
Dividend income	6(16)	(3,993)	(4,948)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		-	3,665
Accounts receivable		(12,869)	88,595
Accounts receivable - related parties		560	(91,832)
Other receivables		1,592	(8,984)
Other receivables - related parties		(74)	-
Inventories		35,265	(36,362)
Prepayments		5,553	(1,025)
Other current assets		(7,281)	(614)
Other non-current assets		586	(929)
Changes in operating liabilities			
Notes payable		-	(6,774)
Accounts payable		(9,802)	(199,871)
Accounts payable - related parties		4,199	163,076
Other payables		(6,731)	11,847
Other payables - related parties		91	-
Other current liabilities		350	25
Accrued pension liabilities		(18,746)	(1,497)
Cash inflow generated from operations		184,832	165,116
Interest received		302	192
Interest paid		(733)	(3,331)
Dividends received		3,993	4,948
Net cash flows from operating activities		188,394	166,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Return of capital from current financial assets at fair value through other comprehensive income		218	-
Increase in financial assets at amortized cost	6(4)	(5,096)	-
Acquisition of property, plant and equipment	6(24)	(114,762)	(52,824)
Proceeds from disposal of property, plant and equipment		380	288
(Increase) decrease in refundable deposits		402	(158)
Disposal of subsidiaries recognised as cash outflow	6(24)	-	(22,390)
Proceeds from disposal of financial assets	7	-	146,571
Net cash flows (used in) from investing activities		(118,858)	71,487
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(25)	899,384	1,096,169
Decrease in short-term loans	6(25)	(972,761)	(1,389,249)
Payment of lease liability	6(25)	(3,683)	-
Net cash flows used in financing activities		(77,060)	(293,080)
Net decrease in cash and cash equivalents		(7,524)	(54,668)
Cash and cash equivalents at beginning of year	6(1)	30,757	85,425
Cash and cash equivalents at end of year	6(1)	$ 23,233	$ 30,757

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

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)

1. HISTORY AND ORGANIZATION

BAOTEK INDUSTRIAL MATERIALS LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiary (collectively referred herein as the “Group”) are primarily engaged in high-end fiberglass fabrics for copper clad laminates of various electronic applications. NITTO BOSEKI CO., LTD. holds 47.65% equity interest in the Company through public tender offer on August 10, 2018, becoming the Company’s major shareholder since that date. NITTO BOSEKI CO., LTD. holds more than half of the directors in the Company on June 21, 2019, becoming the Company’s parent company since that date.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets).

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $7,956, and increased 'lease liability' by $7,956 on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

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

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,585 was recognised in 2019.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.30%.

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

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	9,930
Less: Short-term leases	(	1,585)
Less: Low-value assets	(	270)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	8,075
Incremental borrowing interest rate at the date of initial application		1.30%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	7,956

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
BAOTEK INDUSTRIAL MATERIALS LTD.	SILTEK INTERNATIONAL LTD.	fabrics for copper clad laminate of various electronic applications	-	-	Note

Note : The Group sold the shares in its subsidiary, SILTEK INTERNATIONAL LTD., to CHUANG-YU INVESTMENT CO., LTD. on June 25, 2018 and accordingly, the Group lost its control over the subsidiary. The Group recognised its investment retained in the former subsidiary at fair value on the date that control ceased and recognised gain of $1,770 presented as other gains and losses in the statement of comprehensive income. Cash flow information relating to the subsidiary is provided in Note 6(24) Supplemental cash flow information.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the

Company's functional and the Group's presentation currency.

Foreign currency transactions and balances

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

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

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

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

A. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

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

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

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

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

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

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

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

(8) Financial assets at amortised cost

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

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

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

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

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

(13) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 56 years
Machinery and equipment	1 ~ 15 years
Other equipment	1 ~ 5 years

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

Effective 2019 (Modified retrospective approach)

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the 1.30% incremental borrowing interest rate.

Lease payments are comprised of the following:

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

(b) Amounts expected to be payable by the lessee under residual value guarantees.

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

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

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

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

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

(15) Leased assets/ operating leases (lessee)

Prior to 2019

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

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

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

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

(19) Derecognition of financial liabilities

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

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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

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

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

(21) Income tax

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

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

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

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

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

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from taxable loss to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

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

(23) Dividends

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

(24) Revenue recognition

Sales of goods

A. The Group manufactures and sells a range of high-end fiberglass fabrics. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. The sales usually are made with a credit term between 30~120 days, which is the same with the market practice, so the contract does not include a significant financing component.

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

(25) Operating segments

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

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

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

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $352,175.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 44	$ 45
Checking accounts and demand deposits	23,189	30,712
	$ 23,233	$ 30,757

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

B. The Group has no cash and cash equivalents pledged to others.

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

	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Valuation adjustment	$ -	$ 213

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

	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	($ 991)	($ 5,712)

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

As of December 31, 2019: None.

	December 31, 2018	
Derivative instruments	Contract amount (notional principal in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 1,730	2018/12~2019/01

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

D. The Group entered into forward foreign exchange contracts to buy to hedge exchange rate risk of operating activities proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments		
Listed stocks	$ 128,483	$ 128,701
Valuation adjustment	(52,260)	(59,581)
	$ 76,223	$ 69,120

A. As at December 31, 2019 and 2018, the Group has elected to classify listed stocks investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $76,223 and $69,120, respectively.

B. The Group reacquired $218 due to the capital reduction from the listed stocks investment during 2019.

C. Due to the capital management strategy, the Group sold $83,859 of listed stocks at fair value and the loss on disposal of investment was $314 during 2018.

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

	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 7,321	($ 11,466)
Dividend income recognised in profit or loss		
Held at end of period	$ 3,993	$ 4,948

(4) Financial assets at amortised cost

Items	2019	2018
Current items:		
Time deposits	$ 5,096	$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2019	2018
Interest income	$ 218	$ -

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $5,096 and $0, respectively.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 389,670	$ 376,801
Accounts receivable - related parties	91,272	91,832
Less: Allowance for uncollectible accounts	(148)	-
	$ 480,794	$ 468,633

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2019	December 31, 2018
Up to 30 days	$ 130,335	$ 127,250
31 to 90 days	256,774	237,210
91 to 180 days	93,833	104,173
	$ 480,942	$ 468,633

The above ageing analysis was based on invoice date.

B. The Group’s accounts receivable does not hold any as collateral as security.

C. As of December 31, 2019 and 2018, and January 1, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable was $480,794, $468,633 and $465,396, respectively.

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

(6) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 78,133	($ 884)	$ 77,249
Supplies	1,253	-	1,253
Work in progress	62,975	(85)	62,890
Finished goods	216,498	(5,715)	210,783
	$ 358,859	($ 6,684)	$ 352,175

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 90,360	($ 380)	$ 89,980
Supplies	1,377	-	1,377
Work in progress	88,633	(49)	88,584
Finished goods	219,232	(11,733)	207,499
	$ 399,602	($ 12,162)	$ 387,440

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2019	Year ended December 31, 2018
Cost of goods sold	$ 1,284,584	$ 1,375,900
Gain on reversal of decline in market value	(5,478)	(510)
Revenue from sales of scraps	(1,392)	(1,124)
	$ 1,277,714	$ 1,374,266

The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventories which were previously provided with allowance were subsequently sold.

(7) Property, plant and equipment

	2019					
	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
At January 1						
Cost	$363,594	$ 525,684	$ 1,877,789	$ 263,448	$ 10,156	$ 3,040,671
Accumulated depreciation	-	(287,382)	(1,608,869)	(207,381)	-	(2,103,632)
	$363,594	$ 238,302	$ 268,920	$ 56,067	$ 10,156	$ 937,039
Opening net book amount as at January 1	$363,594	$ 238,302	$ 268,920	$ 56,067	$ 10,156	$ 937,039
Additions	-	9,574	33,297	3,571	71,098	117,540
Depreciation charge	-	(18,472)	(61,809)	(10,762)	-	(91,043)
Transfer	-	-	24,922	2,380	(27,302)	-
Closing net book amount as at December 31	$363,594	$ 229,404	$ 265,330	$ 51,256	$ 53,952	$ 963,536
At December 31						
Cost	$363,594	$ 535,113	$ 1,918,835	$ 259,083	$ 53,952	$ 3,130,577
Accumulated depreciation	-	(305,709)	(1,653,505)	(207,827)	-	(2,167,041)
	$363,594	$ 229,404	$ 265,330	$ 51,256	$ 53,952	$ 963,536

	2018					
	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
At January 1						
Cost	$363,594	$ 519,135	$ 1,832,612	$ 262,628	$ 2,867	$ 2,980,836
Accumulated depreciation	-	(271,381)	(1,555,101)	(202,230)	-	(2,028,712)
	$363,594	$ 247,754	$ 277,511	$ 60,398	$ 2,867	$ 952,124
Opening net book amount as at January 1	$363,594	$ 247,754	$ 277,511	$ 60,398	$ 2,867	$ 952,124
Additions	-	6,549	40,057	6,967	13,147	66,720
Depreciation charge	-	(16,001)	(53,852)	(11,298)	-	(81,151)
Transfer (Note)	-	-	5,204	-	(5,858)	(654)
Closing net book amount as at December 31	$363,594	$ 238,302	$ 268,920	$ 56,067	$ 10,156	$ 937,039
At December 31						
Cost	$363,594	$ 525,684	$ 1,877,789	$ 263,448	$ 10,156	$ 3,040,671
Accumulated depreciation	-	(287,382)	(1,608,869)	(207,381)	-	(2,103,632)
	$363,594	$ 238,302	$ 268,920	$ 56,067	$ 10,156	$ 937,039

Note: Due to cancellation of the order for machinery, the refund reduced the prepaid equipment and the difference of $654 was transferred to income.

A. For the years ended December 31, 2019 and 2018, no borrowing cost was capitalized as part of property, plant and equipment.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The Group acquired and owned a land, No. 0487-000 Ruiyuan Section, Yang-Mei District during for the year ended December 31, 2017. The land is 2,782.35 square meters, which was used for farming and grazing and held by another person. The Group has obtained mortgage registration from the landowner to guarantee the rights relative to the uncompleted transfer of the land.

(8) Leasing arrangements－lessee

Effective 2019 (Modified retrospective approach)

A. The Group leases various assets including buildings, other equipment, transportation equipment, and multifunction printers. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise transportation equipment. Low-value assets comprise other equipment and multifunction printers.

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

	At December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 3,905	$ 3,163
Transportation equipment	341	547
	$ 4,246	$ 3,710

D. For the year ended December 31, 2019, the additions to right-of-use assets was $0.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year Ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 82
Expense on short-term lease contracts	3,003

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was $6,768.

(9) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Bank secured borrowings	$ 16,000	1.20%	Land, buildings and structures

Type of borrowings	December 31, 2018	Interest rate	Collateral
Bank borrowings			
Bank secured borrowings	$ 89,377	1.30%	Land, buildings and structures

(10) Other payables (including related parties)

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	$ 33,645	$ 31,993
Payables for equipment	26,150	23,372
Estimated utility	7,130	6,464
Estimated commission	354	214
Others	28,026	37,148
	$ 95,305	$ 99,191

(11) Pensions

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 46,015)	($ 45,438)
Fair value of plan assets	36,406	17,641
Net defined benefit liability	($ 9,609)	($ 27,797)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 45,438)	$ 17,641	($ 27,797)
Current service cost	(656)	-	(656)
Interest (expense) income	(449)	174	(275)
	(46,543)	17,815	(28,728)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	681	681
Change in demographic assumptions	(4)	-	(4)
Change in financial assumptions	(1,243)	-	(1,243)
Experience adjustments	7	-	7
	(1,240)	681	(559)
Pension fund contribution	-	19,678	19,678
Paid pension	1,768	(1,768)	-
Balance at December 31	($ 46,015)	$ 36,406	($ 9,609)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 44,108)	$ 14,813	($ 29,295)
Current service cost	(682)	-	(682)
Interest (expense) income	(437)	147	(290)
	(45,227)	14,960	(30,267)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	450	450
Change in demographic assumptions	(55)	-	(55)
Experience adjustments	(157)	-	(157)
	(212)	450	238
Pension fund contribution	-	2,232	2,232
Balance at December 31	($ 45,439)	$ 17,642	($ 27,797)

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

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	0.70%	1.00%
Future salary increases	2.00%	2.00%

For the years ended December 31, 2019 and 2018, the assumption regarding mortality rate in the future is set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 1,039)	$ 1,075	$ 1,058	($ 1,029)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 1,078)	$ 1,116	$ 1,102	($ 1,071)

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to $571.

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

(b) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $6,494 and $6,143, respectively.

(12) Share capital

A. As of December 31, 2019, the Company’s authorised capital was $2,500,000, consisting of 250 million shares of ordinary stock, and the paid-in capital was $1,948,940 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. There are 29 million shares which were raised through private placement but have not yet been publicly issued.

B. To increase the Company’s working capital, the stockholders at their annual stockholders’ meeting on June 13, 2007 adopted a resolution to raise additional cash through private placement with the effective date set on June 9, 2008. The shares to be issued through the private placement is 29 million shares at the price of $7.55 (in dollars) per share. The amount of capital raised through the private placement was $218,950.

C. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

D. Movements in the number of the Company’s ordinary shares outstanding are as follows:

(Expressed in shares)

	2019	2018
At January 1 (At December 31)	194,893,964	194,893,964

(13) Accumulated dificit

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders’ meeting.

The Company is in the growth stage. Taking into account the future capital need and fulfilling the shareholder's need on cash inflow, the current year's earnings, if any, cash dividends shall account for at least 20% of the total cash and stock dividends distributed. The percentage can only be increased when the Company has sufficient cash to meet the liquidity requirements.

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

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

D. For the years ended December 31, 2019 and 2018, the Company did not distribute retained earnings due to the accumulated deficit. The Board of Directors during its meeting on March 14, 2019 proposed to offset the accumulated deficit of 2018 which was resolved at the shareholders' meeting on June 21, 2019. On March 13, 2020, the Board of Directors proposed to offset the accumulated deficit for the year of 2019.

(14) Other equity items

	2019	
	Unrealised gains (losses) on valuation	
At January 1, 2019	($	59,581)
Revaluation		7,321
At December 31, 2019	($	52,260)

	2018	
	Unrealised gains (losses) on valuation	
At January 1, 2018	($	46,603)
Revaluation	(	11,466)
Revaluation transferred to other equity items	(	1,512)
At December 31, 2018	($	59,581)

(15) Operating revenue

	Year ended December 31, 2019		Year ended December 31, 2018	
Revenue from contracts with customers	$	1,479,692	$	1,625,912

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

2019	Taiwan	China	Others	Total
Revenue from external customer contracts	$ 407,301	$ 563,349	$ 509,042	$ 1,479,692
Timing of revenue recognition				
At a point in time	$ 407,301	$ 563,349	$ 509,042	$ 1,479,692

2018	Taiwan	China	Others	Total
Revenue from external customer contracts	$ 504,726	$ 547,617	$ 573,569	$ 1,625,912
Timing of revenue recognition				
At a point in time	$ 504,726	$ 547,617	$ 573,569	$ 1,625,912

B. Contract assets and liabilities

(a)The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities (booked as in other current liabilities)	$ 330	$ 118	$ 14

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 100	$ 2

(16) Other income

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income:		
Interest income from bank deposits	$ 284	$ 171
Other interest income	18	21
Dividend income	3,993	4,948
Others	3,949	3,539
	$ 8,244	$ 8,679

(17) Other gains and losses

	Year ended December 31, 2019	Year ended December 31, 2018
Gains on disposals of property, plant and equipment	$ 380	$ 288
Gains on disposals of investments	-	1,770
Foreign exchange (losses) gains	(10,148)	11,094
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(213)	213
Miscellaneous disbursements	(2,092)	(712)
	($ 12,073)	$ 12,653

(18) Finance costs

	Year ended December 31, 2019	Year ended December 31, 2018
Interest expense	$ 708	$ 3,198

(19) Expenses by nature

	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefit expense	$ 235,298	$ 233,425
Depreciation	94,753	81,151
	$ 330,051	$ 314,576

(20) Employee benefit expense

	Year ended December 31, 2019	Year ended December 31, 2018
Wages and salaries	$ 197,842	$ 199,496
Labour and health insurance fees	16,909	15,340
Pension costs	7,425	7,115
Other personnel expenses	13,122	11,474
	$ 235,298	$ 233,425

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

The abovementioned distributable profit is pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration.

B. As of December 31, 2019 and 2018, the Company had an accumulated deficit hence no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2019 and 2018.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2019	Year ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 21,087	$ -
Total current tax	21,087	-
Deferred tax:		
Impact of change in tax rate	-	(304)
Origination and reversal of temporary differences	(23,870)	1,159
Taxable loss not recognised as deferred tax assets	(10,035)	-
Total deferred tax	(33,905)	855
Income tax (benefit) expense	($ 12,818)	$ 855

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

	Year ended December 31, 2019	Year ended December 31, 2018
Remeasurement of defined benefit obligation	$ 112	$ 38

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2019	Year ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 20,198	$ 33,772
Tax exempt income by tax regulation	(798)	4
Temporary differences not recognised as deferred tax assets	(1,096)	(102)
Effect from changes in tax regulation	-	(304)
Effect from taxable loss income tax	(31,122)	(32,515)
Income tax (benefit) expense	($ 12,818)	$ 855

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

	2019			
	January 1	recognised in profit or loss	recognised in other comprehensive income	December 31
—Deferred tax assets:				
Temporary differences:				
Unused vacation pay	$ 1,219	$ 228	$ -	$ 1,447
Unrealized exchange loss	(158)	2,512	-	2,354
Unrealized financial instruments valuation loss (gain)	(43)	43	-	-
Accrued pension liabilities	522	-	112	634
Taxable loss	14,522	10,035	-	24,557
Subtotal	16,062	12,818	112	28,992
Total	$ 16,062	$ 12,818	$ 112	$ 28,992

	2018			
	January 1	recognised in profit or loss	recognised in other comprehensive income	December 31
—Deferred tax assets:				
Temporary differences:				
Unused vacation pay	$ 999	$ 220	$ -	$ 1,219
Unrealized exchange loss	721	(879)	-	(158)
Unrealized financial instruments valuation loss (gain)	-	(43)	-	(43)
Accrued pension liabilities	484	-	38	522
Taxable loss	14,675	(153)	-	14,522
Subtotal	16,879	(855)	38	16,062
Total	$ 16,879	($ 855)	$ 38	$ 16,062

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

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2013	$ 149,787	$ 125,248	$ 2,462	2023
2014	113,311	113,311	113,311	2024
2015	65,695	65,695	65,695	2025
	$ 328,793	$ 304,254	$ 181,468	

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 96,986	$ 74,598	$ 61,171	2022
2013	149,787	149,787	122,825	2023
2014	113,311	113,311	92,915	2024
2015	65,695	65,695	53,870	2025
	$ 425,779	$ 403,391	$ 330,781	

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 13,112	$ 18,591

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

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

(22) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic and diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 113,810	194,894	$ 0.58

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic and diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 168,003	194,894	$ 0.86

(23) Operating leases

For lessee (modified retrospective approach)

A. The Group leases transportation equipment assets. The lease terms last between 2016 to 2023 years. The Group recognised rental expenses of $5,437 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 5,299
Later than one year but not later than five years	4,631
	$ 9,930

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2019	Year ended December 31, 2018
Purchase of property, plant and equipment	$ 117,540	$ 66,720
Add: Opening balance of payable on equipment	23,372	9,476
Less: Ending balance of payable on equipment	(26,150)	(23,372)
Cash paid during the year	$ 114,762	$ 52,824

B. The Group sold 100% of shares in the subsidiary – SILTEK INTERNATIONAL LTD. on June 25, 2018 and accordingly, lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	June 25, 2018
Consideration received	
Cash	$ 68,793
Subsidiary dividends which cannot be recovered but were transferred to loss on disposal of investment	(2,755)
Unrealised valuation income of subsidiary's equity instrument investment at fair value through other comprehensive income converted to disposal investment income	4,040
Total consideration	$ 70,078
Carrying amount of the assets and liabilities of SILTEK INTERNATIONAL LTD.	
Cash	$ 22,390
Financial assets at fair value through other comprehensive income	48,715
Other payables	(2,794)
Other current liabilities	(3)
Total net assets	$ 68,308

(25) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities
At January 1, 2019	$ 89,377	$ 7,956
Increase in cash flow from financing activities - short-term borrowings	899,384	-
Decrease in cash flow from financing activities - short-term borrowings	(972,761)	-
Payment of lease liabilities	-	(3,683)
Interest payment of lease liabilities	-	82
Interest expense amortisation of lease liabilities	-	(82)
At December 31, 2019	$ 16,000	$ 4,273

	Short-term borrowings	Lease liabilities
At January 1, 2018	$ 382,457	$ -
Increase in cash flow from financing activities - short-term borrowings	1,096,169	-
Decrease in cash flow from financing activities - short-term borrowings	(1,389,249)	-
At December 31, 2018	$ 89,377	$ -

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
NITTO BOSEKI CO., LTD. (NITTO BOSEKI)	Parent (Note 1)
NITTOBO MACAU CLASS WEAVING CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TECHNO CO., LTD.	Fellow subsidiary (Note 2)
SOYO CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TAIWAN CO., LTD.	Fellow subsidiary (Note 2)
CREATIVE VISION INVESMENT CO., LTD.	Associate
TAIWAN VENTURE CAPITAL CO., LTD.	Associate
EVER-PROSPEROUS MULTITECHNOLOGIES ENTERPRISE LTD.	Associate
YU-YUAN CO., LTD.	Associate
HARMONIOUS CHEMICAL INC.	Associate
KO, LYN-HSIEN	Supervisor
LU, YU-HSUAN	Supervisor

Note 1: NITTO BOSEKI acquired 47.65% shares of the Company on August 10, 2018, and became a related party of the Company since that date. NITTO BOSEKI holds more than half of the directors in the Company on June 21, 2019, becoming the Company’s parent company since that date.

Note 2: The Company is a subsidiary of NITTO BOSEKI CO., LTD.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Sales of goods:		
Parent company:		
NITTO BOSEKI CO., LTD.	$ 202,280	$ 93,530
Fellow subsidiary:		
NITTOBO MACAU CLASS WEAVING CO., LTD.	141,630	65,049
Others	5,298	2,283
	$ 349,208	$ 160,862

Goods are sold based on the price lists in force that would be available to third parties. The above sales are made at terms with a collection period of 90 days, whereas the receivables from third parties were at terms with a collection period between 90 ~ 120 days and others were payment in advance.

B. Purchases

	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of goods:		
Parent company:	$ 117,491	$ 60,950
NITTO BOSEKI CO., LTD.		
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	474,013	178,253
Others	19,756	3,893
	$ 611,260	$ 243,096

Goods purchased from related parties are not purchases from third parties, so the purchase prices are not comparable. The purchases were made at normal commercial terms and conditions. The payables to related parties arise mainly from purchase transactions, and payments were due in 90 days, whereas the payments for third parties were due in 60 ~ 120 days.

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
Parent company:		
NITTO BOSEKI CO., LTD.	$ 45,866	$ 44,799
Fellow subsidiary:		
NITTOBO MACAU CLASS WEAVING CO., LTD.	44,227	47,033
Others	1,151	-
	91,244	91,832
Other receivables:		
Others	74	-
	$ 91,318	$ 91,832

D. Payables to related parties

	December 31, 2019	December 31, 2018
Accounts payable:		
Parent company:		
NITTO BOSEKI CO., LTD.	$ 22,351	$ 34,179
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	141,966	128,897
Others	2,958	-
	167,275	163,076
Other payables－acquisition of property, plant and equipment:		
Fellow subsidiary:		
NITTOBO MACAU CLASS WEAVING CO., LTD.	-	3,330
NITTOBO ASIA GLASS FIBER CO., LTD.	1,373	1,377
	1,373	4,707
Other payables		
Fellow subsidiary:		
Others	91	-
	$ 168,739	$ 167,783

E. Prepayments

	December 31, 2019	December 31, 2018
Fellow subsidiary:		
SOYO CO., LTD.	$ -	$ 2,039

F. Property transactions

Acquisition of property, plant and equipment:

	Year ended December 31, 2019	Year ended December 31, 2018
Fellow subsidiary:		
NITTOBO MACAU CLASS WEAVING CO., LTD.	$ -	$ 3,526
NITTOBO TECHNO CO., LTD.	32,639	1,459
	$ 32,639	$ 4,985

G. Disposal of financial assets:

As of December 31, 2019: None.

	Accounts	No. of shares	Object	Year ended December 31, 2018 Proceeds	Gain/(loss)
Associates					
CREATIVE VISION INVESMENT CO., LTD.	Other receivables	10,600	UNITY CHEMICAL CO., LTD., GLOBAL BIOPHARMA, INC., and SILTEK INTERNATIONAL LTD.'s stock.	$ 122,667	$ 1,644
Other associates	Other receivables	1,956	KENT INDUSTRIAL CO., LTD.'s stock	23,401	(149)
Others	Other receivables	42	KENT INDUSTRIAL CO., LTD.'s	503	(3)
				$ 146,571	$ 1,492

For the year ended December 31, 2018, the commission expense due from the disposal of financial assets at fair value through other comprehensive income was $7,640. As of December 31, 2018, the payables have been fully paid.

(3) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Short-term employee benefits	$ 13,968	$ 14,943
Post-employment benefits	282	275
	$ 14,250	$ 15,218

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Land	$ 351,099	$ 351,099	Short-term borrowings
Buildings and structures	138,066	142,990	Short-term borrowings
	$ 489,165	$ 494,089	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

As of December 31, 2019 and 2018, the amount of the letter of credit issued but not used were $81,523 and $0, respectively.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 23,737	$ 9,895

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group has to maintain sufficient capital to afford extending and upgrading the factories and equipment. Hence, the capital management objective of the Group is to ensure that the Group has enough financial resources and operating strategy to afford the operating funds, capital output and research and development expenses within twelve months from the balance sheet date. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2019, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio. The gearing ratios were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 308,960	$ 405,391
Total assets	$ 1,980,971	$ 1,956,718
Gearing ratio	15.60%	20.72%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 213
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	76,223	69,120
Financial assets at amortised cost		
Cash and cash equivalents	23,233	30,757
Financial assets at amortised cost	5,096	-
Accounts receivable, net	389,550	376,801
Accounts receivable - related parties	91,244	91,832
Other receivables	15,185	16,777
Other receivables - related parties	74	-
Guarantee deposits paid	2,307	2,709
	$ 602,912	$ 588,209
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 16,000	$ 89,377
Notes payable	-	-
Accounts payable	15,945	25,747
Accounts payable - related parties	167,275	163,076
Other accounts payable	93,841	94,484
Other accounts payable - related parties	1,464	4,707
Guarantee deposits received	34	34
	$ 294,559	$ 377,425
Lease liability	$ 4,273	$ -

B. Financial risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management of the Group is to focus on unpredictable events in financial market and minimise any adverse effects on the financial performance of the Group. Derivatives are used exclusively for hedging purposes, please refer to Note 6(2).

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The primary sales and purchases of the Group are denominated in USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group is required to hedge their entire foreign exchange risk exposure with the Group treasury. To control the foreign exchange risk of future business transactions and recognised assets and liabilities, the Group's financial department enters into forward foreign exchange contracts. The foreign exchange risk arises from future business transactions, recognised assets and liabilities expressed in non-functional currency.

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

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 15,283	29.98	$ 458,184
EUR:NTD	12	33.59	403
RMB:NTD	312	4.31	1,345
JPY:NTD	32,217	0.28	9,021
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 873	29.98	$ 26,173
EUR:NTD	3	33.59	101
JPY:NTD	10,309	0.28	2,887
Non-monetary items: None.			

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 14,983	30.72	$ 460,278
EUR:NTD	137	25.20	3,452
RMB:NTD	1,399	4.47	6,254
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 1,280	30.72	$ 39,322
EUR:NTD	23	35.20	810
JPY:NTD	18,190	0.28	5,093
Non-monetary items: None.			

iv. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to ($10,148) and $11,094, respectively.

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

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,582	$ -
EUR:NTD	1%	4	-
RMB:NTD	1%	13	-
JPY:NTD	1%	90	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 262	$ -
EUR:NTD	1%	1	-
JPY:NTD	1%	29	-

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,602	$ -
EUR:NTD	1%	34	-
RMB:NTD	1%	62	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 393	$ -
EUR:NTD	1%	8	-
JPY:NTD	1%	51	-

Price risk

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

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $2,287 and $2,074, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortised cost and bank deposits.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

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

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

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customer’s accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, credit risk on trade, customer types and cooperation scale. The Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to ensure their right.

viii. The Group used the forecast ability of the adjusted historical and timely information to assess the default possibility of accounts receivable. On December 31, 2019, the provision matrix is as follows:

December 31, 2019	Not past due	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	Total
Expected loss rate	0.03%	0%	0%	0%	
Total book value	$ 480,942	$ -	$ -	$ -	$ 480,942
Loss allowance	$ 148	$ -	$ -	$ -	$ 148

As of December 31, 2018: None.

ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	2019
	Accounts receivable
At January 1	$ -
Provision for impairment	148
At December 31	$ 148

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities</u>

December 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$ -	$ 16,000	$ -	$ -	$ 16,000
Accounts payable	13,214	2,731	-	-	15,945
Accounts payable - related parties	167,275	-	-	-	167,275
Other accounts payable	90,578	3,263	-	-	93,841
Other accounts payable - related parties	1,464	-	-	-	1,464
Lease liability	941	2,613	757	-	4,311

Non-derivative financial liabilities

December 31, 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$ -	$ 89,377	$ -	$ -	$ 89,377
Accounts payable	22,780	2,967	-	-	25,747
Accounts payable - related parties	161,999	1,077	-	-	163,076
Other accounts payable	89,654	4,830	-	-	94,484
Other accounts payables - related parties	4,707	-	-	-	4,707

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables and lease liabilities are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2019 and 2018 is as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income	$ 76,223	$ -	$ -	$ 76,223
Liabilities				

Recurring fair value measurements: None.

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ -	$ 213	$ -	$ 213
Financial assets at fair value through other comprehensive income	69,120	-	-	69,120
	$ 69,120	$ 213	$ -	$ 69,333

Liabilities

Recurring fair value measurements: None.

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

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

	Listed shares
Market quoted price	Closing price

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1, Level 2 and Level 3.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Table 2.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to Table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：None.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1) General information

The Group mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. The single operating department allocates resources and assesses performance of the Group as a whole, therefore, the Group do not disclosure the segment information.

(2) Information on products and services

The Group mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. Therefore, the Group is not required to disclose the finance information of products.

(3) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 407,301	$ 970,432	$ 504,726	$ 940,677
China	563,349	-	547,617	-
Others	509,042	-	573,569	-
	$ 1,479,692	$ 970,432	$ 1,625,912	$ 940,677

(4) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Segment	Revenue	Segment
A	$ 278,040	The Group	$ 279,800	The Group
B	237,159	The Group	240,985	The Group
C	202,280	The Group	237,139	The Group
D	145,062	The Group	156,815	The Group

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2018				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
BAOTEK INDUSTRIAL MATERIALS LTD.	Compal Electronics, Inc. ordinary shares	-	Financial assets at fair value through other comprehensive income - current	2,134,527	$ 40,236	0.05%	$ 40,236	
BAOTEK INDUSTRIAL MATERIALS LTD.	Waterland Financial Holdings. ordinary shares	-	Financial assets at fair value through other comprehensive income - current	2,724,462	30,650	0.10%	30,650	
BAOTEK INDUSTRIAL MATERIALS LTD.	Formosan Union Chemical Corp. ordinary shares	-	Financial assets at fair value through other comprehensive income - current	415,298	5,337	0.09%	5,337	

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions （Note 1）		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Sales	$ 202,280	14%	Note 1	Note 1	Note 1	$ 45,866	10%	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTOBO MACAU GLASS WEAVING CO., LTD.	Fellow subsidiary	Sales	141,630	10%	Note 1	Note 1	Note 1	44,227	9%	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Purchases	117,491	16%	Note 2	Note 2	Note 2	(22,351)	(12%)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary	Purchases	474,013	64%	Note 2	Note 2	Note 2	(141,966)	(78%)	

Note 1: Goods are sold based on the price list in force that would be available to third parties the sales are made at terms with a collection period of 90 days.

Note 2: Goods ard purchases from related parties almost are not purchases from third parties, so the price are not compareable. The payments were due in 90 days.

BAOTEK INDUSTRIAL MATERIALS LTD. AND SUBSIDIARY

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Sales revenue	$ 202,280	Note 4	13.67%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Accounts receivable	45,866	Note 4	2.31%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Purchase	117,491	Note 5	7.94%
1	BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	2	Accounts payable	22,351	Note 5	1.12%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Goods are sold based on the price list in force that would be available to third parties the sales are made at terms with a collection period of 90 days.

Note 5: Goods ard purchases from related parties almost are not purchases from third parties, so the price are not compareable. The purchases were made at normal commercial terms and conditions, and the payments were due in 90 days.