Stock Code: 8028

Phoenix Silicon International Corporation

2019 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
Printed on 04 25, 2020

Company Spokesman

Name of spokesman：Fn Huang
Title：Vice President of Administration Dept.
Tel：886-3-564-1888
E-mail：fnhuang@psi.com.tw

Name of deputy spokesman：Eunice Tai
Title：Vice Director of Finance Accounting Divison

Tel：886-3-564-1888
E-mail：eunice@psi.com.tw

Headquarters, Branches and Plant

Headquarters Address：No.6, Li-Hsin Road, Science Park, Hsinchu300 Taiwan, R. O. C
Tel：886-3-564-1888
Branch：NA
Tel：NA
Plant Address：Hsinchu fab.：No.6, Li-Hsin Road, Science Park, Hsinchu300 Taiwan, R. O. C
Hsinchu fab.2：3rd and 4th floor of No. 8, Li-Hsin Road, Science Park, Hsinchu300 Taiwan, R. O. C
Subsidiary Hsinchu fab.：3rd floor of No. 8, Li-Hsin Road, Science Park, Hsinchu300 Taiwan, R. O. C
Subsidiary Zhonghua fab.2：No.1,Section 6,Zhonghua Road, Hsinchu City
Tel：886-3-564-1888
886-3-564-2188
886-3-518-2758

Stock Transfer Agent

Agency name：Grand Fortune Securities Co., Ltd.
Address：6F, No. 6, Section 1, Chung Hsiao West Road, Taipei City
Website：http://www.gfortune.com.tw/
Tel：886-2-2371-1658

Auditors

Name of CPAs：Li, Tien-Yi , Xie, Zhi-Zheng
Name of Accounting FiSrm：Pricewaterhouse Coopers (PwC) Taiwan
Address：27F, No. 333, Section 1, Keelung Road, Taipei City
Website：http://www.pwc.tw
Tel：886-2-2729-6666

Overseas Securities Exchange

NA

Corporate Website

http://www.psi.com.tw

Contents

I.Letter to Shareholders

Dear Shareholders,

1. 2019 Operating Result

Phoenix Silicon International Corporation (Psi) has been listed on Taiwan Stock Exchange since 2018. Over the years, Psi has been growing in the core of semiconductor OEM business, strengthening customers reliability and increasing quality. Meanwhile, Psi committed to investing in research development and building capacity so as to acquire the ability to grow sustainably.

On the trend which is driving by electric vehicles, industrial automation, and green industry application, Psi has been actively expanding wafer thinning service and developing the midpiece and endpiece stage of ultrathin wafer. In response to advanced semiconductor process demand, the productivity of reclaim wafer keeps increasing. In addition, Psi also invests in high specification reclaim wafer development and mass production.

In the first half of 2018, the semiconductor industry is in perfect working situation. In contrast with the first half year, the semiconductor industry was affected by some negative news such as shortage of Intel CPU, weak demand of mineral sources, decreasing need of smart phone, and etcetera in the last half year of 2018 due to the US-China trade war. Psi achieved the following results with the efforts of our team：

Unit: NT$‘000

Year / Item	2019	2018	Change (%)
Revenue	2,649,059	2,121,873	24.85
Gross Profit	889,440	720,946	23.37
Operating Income	416,260	276,125	50.75
Profit attributable to Owners of the parent	332,095	232,634	42.75
EPS (NT$)	2.51	1.87	34.22
ROA (%)	7.99%	6.75%	18.37
Debt ratio (%)	54.27%	32.37%	67.66

2. The outline of 2020 business plan is as follows：

Semiconductor Business：

In addition to strengthening new customers’ expansion of Reclaim wafer OEM business, Psi will actively expand 12” wafer’s capacity and add high specification quality products to meet customers’ needs. Meanwhile, improving process automation technology to reduce costs and continuously developing next-generation polishing, cleaning and testing technologies are our goals as well. And meet customer needs 10nm and below.

Regarding the wafer thinning department, Psi has been expanding the service range, carrying forward to mass production of 25um wafer thinning process and developing wafer-level packaging, testing related technologies to meet customers' demand. As for the product development of the next generation, we will continue to focus on 5G automotive applications.

In the aspect of MEMS OEM, Psi has been continuously developing acoustics, optics, medical science sensor process, etc. with customers. Additionally, we make efforts to increase customers demand for mass production and expand the scope of process integration services. In terms of biochip sensor business, we will keep expanding application fields of enzyme-free glucose sensing and viral DNA detection.

Battery Business：

Battery energy storage systems started a positive transformation in 2019. In 2020, PBC will continue to focus on business expansion, teams building and business model. As for the business of battery cells and battery module, actively seeking a profitable model has becomes a top priority.

3. Future development strategy

In response to future industry development trends, Psi simultaneously plans development strategies in three aspects: technology research, capacity growth and new business expansion.

In response to the global energy saving and carbon reduction and renewable energy green power development trends, power semiconductors urgently need to develop a new generation of high-performance materials such as GaN, SiC and other composite materials. Psi actively develops thinning and recycling processes for related composite wafers and verifies the application of vehicle regulations with customers. In addition to the operation of existing high-power lithium batteries in UPS and small energy storage, PBC will build and strengthen R & D and market development of large-scale energy storage system integration.

In terms of capacity growth, Psi continues to increase the energy of smart manufacturing technology and actively expands the capacity of existing factories. At the same time, evaluate the second production base to meet the needs of customers for sustainable operation.

In terms of new business development, with the characteristics of semiconductor technology that can be tested more quickly and accurately, a micro-nano structure sensing platform has been established in the field of micro electro- mechanical bio-detection. Psi has also been expanding biomedicine filed such as enzyme-free glucose sensor and viral DNA detection.

4. Impact of external competition environment, regulation environment and overall operating environment

In 2019, the financial market is highly fluctuating under the influence of multiple factors including the conflict between the United States and China, the chaotic situation of Brexit and geopolitics. However, as the central banks of major countries such as the United States and Europe have adopted accommodative monetary policies, the central banks of emerging countries have also cut interest rates. This situation also led to capital fermentation. Meanwhile, stocks, bonds, real estate, and infrastructure have all been rising.

In 2020, the outbreak and spreading of COVID-19 has caused serious impact on Chinese and global supply chain, not to mention the severe stagnation of global activities and market consumption. However, all countries in the world, including Taiwan, are proposing positive policies such as loose currency, public construction increasement, and consumption stimulation. Under the influence of the epidemic and the tightening of market demand, the overall economic unfavorable factors still exist. We hope that the economy will reverse in the second half of year.

Regarding the regulations, Psi will continue to pay close attention to laws and regulations amendments like environmental protection, labor security, and corporate governance in order to faithfully follow the laws and regulations. At the same time, Psi will actively participate in public welfare, environmental protection activities to contribute to the society.

In general, under the premise of sound finance, Psi will still expand production capacity cautiously, improve our process and quality, widen the gap with competitors, and keep providing the best services to customers in terms of industrial competition. Prospecting the future, Psi will continue to strengthen the leading position in this field, carry out forward-looking technologies to improve revenue and profit, develop new customers and service scope so that we can ultimately create the best interests of shareholders and employees.

We hope you will continue to support and encourage Psi in the future.
Best regards,

Chairperson：Mike Yang   President：Tony Tsai   Chief Account：Eunice Tai

II.Company Profile

I. Date of Incorporation：March 3, 1997

II. Company History

Year	Milestones
Mar 1997	Phoenix Silicon International Corporationc completed the registration of establishment, authorized capital NTD 660,000,000. Paid-in capital-NTD 165,000,000.
Jun 1997	Paid-in capital increase to NTD 660,000,000 via cash offering NTD 495,000,000.
Jan 1998	Approved by the Hsinchu Science Park Bureau, authorized capital increase to NTD 1,100,000,000.
Mar 1998	Paid-in capital increase to NTD 880,000,000 via cash offering NTD 220,000,000.
Oct 2002	Paid-in capital decrease to NTD 748,000,000 via capital rduce NTD 132,000,000.
Nov 2003	Passes ISO/TS16949 certification.
Nov 2003	Paid-in capital increase to NTD 924,000,000 via cash offering NTD 176,000,000.
Jul 2011	Pass ISO 14064-1 verification.
Oct 2012	Established Hsinchu fab.2.
Jun 2013	Employee stock option certificates exchange to share. Paid-in capital increase to NTD 934,520,000.
Jul 2013	Paid-in capital increase to NTD 1,114,520,000 via cash offering NTD 180,000,000.
Aug 2013	CNS15506：2011 Certified.
Dec 2013	Employee stock option certificates exchange to share. Paid-in capital increase to NTD 1,128,280,000.
Jul 2014	IECQ QC 080000 Certified.
Oct 2014	Paid-in capital increase to NTD 1,168,280,000 via cash offering NTD 40,000,000.
Nov 2014	Complete supplementary procedures for classification as a public company.
Dec 2014	Approved to be publicly traded as emerging stock.
Jul 2015	The patent 【Short Circuit Termination Device For Bappery Pack】 granted by TIPO. Patent No. M503696.
Apr 2016	Obtained Taiwan invention patents【Wafer through-hole etchant and wafer through-hole etching method】.
Nov 2016	Obtained Taiwan National Academic-industry innovation award with a topic 【Novel non-enzymatic electrochemical glucose biosensor based on a simple lithography process】.
Feb 2017	Invest and establishment Phoenix Battery Corporation (The Battery), the capital is NTD 1,000,000.
Mar 2017	Obtained Taiwan invention patents【Wafer thickness measurement and calculation method】.
Jul 2017	Energy Business Division was divided into Phoenix Battery Corporation(PBC).
Jul 2018	Public listed on Taiwan Stock Exchange.

III.Corporate Governance Report

I. Organization

(I) Organizational Chart

(II). Major Corporate Functions

Department	Functions
Audit Office	Internal audit and operation process management.
President’s Office	Market strategy integration and operate management.
Industrial Safety	Evaluate, implement and audit about internal safety, health and environmental protection.
Legal	Company of legal, contract, patent and other intellectual property management.
Manufacturing Center	Manufacturing management, manufacturing product engineering, manadement of production efficiency.
Business Center	New technology market development analyzation, sales management, business development, customer service and production planning.
Q.R.A. Center	Quality and reliability technology development management.
Research and Development Center	Development and research of advanced process technology, integration development of special technology.
Management Center	Operations management about human resource management and organizational development, finance & accounting, stock affairs and budget management, procurement and logistics management, establishment and maintenance of information infrastructure and application systems, and facility system

II. Directors, Supervisors and Management Team

(1) Directors

March 27, 2020 Unit: shares; %

Title	Name	Gender	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Notes(Note1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Mike Yang	Male	Taiwan R.O.C	Feb 20, 1997	3 years	May 25, 2018	2,102,317	1.80	1,165,317	0.88	1,214,329	0.92	-	-	Electrical Engineering, SUNY-Buffalo-PhD KLA-Tencor Taiwan - Manager Technology Company Ltd. - General manager	Phoenix Battery Corp. - Chairman	N/A	N/A	N/A	NA
Director	Cheng Wen Cheng	Male	Taiwan R.O.C	Apr 12, 2000	3 years	May. 25, 2018	2,517,157	2.15	2,517,157	1.9	-	-	-	-	National Chung Hsing University-Bachelor of Animal and Husbandry	Cheng Han Investment Co., Ltd.-Director TeleSynergy Corp. Ltd.-Director Phoenix Battery Corp. - Chairman	N/A	N/A	N/A	NA
Director	Min Ho Shuen Investments Inc	-	Taiwan R.O.C	Jun 26, 2014	3 years	May. 25, 2018	1,817,520	1.56	1,817,520	1.37	-	-	-	-	N/A	N/A	N/A	N/A	N/A	NA
	Representative：Chang Yaw Zen	Male	Taiwan R.O.C	May 25, 201 8	3 years	May. 25, 2018	43,510	0.04	1,487,581	1.12	422,353	0.32	-	-	University of California, Santa Cruz-Bachelor of Business Management Economics	Pharma Power Biotec Co., Ltd.-Supervisor Min He Shun Investment Co., Ltd.-Chairman	N/A	N/A	N/A	NA
Director	Ting Dong Liang Investment Co., Ltd	-	Taiwan R.O.C	Jun 30, 2003	3 years	May. 25, 2018	900,000	0.77	900,000	0.68	-	-	-	-	N/A	N/A	N/A	N/A	N/A	NA
	Representative：Huang Shin Chin	Male	Taiwan R.O.C	Jun 30, 2003	3 years	May. 25, 2018	3,056	0.00	3,056	0.00	-	-	-	-	National Taichung University of Science and Technology-Bachelor of Business Administration The First Credit Corporative of ChangHua-Officer	Agarwood Biochemistry Technology Co., Ltd.-Director Phoenix Battery Corp. -Director	N/A	N/A	N/A	NA

Title	Name	Gender	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Notes(Note1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	An Grace Investment Corporation Ltd.	-	Taiwan R.O.C	Jun 24, 2009	3 years	May. 25, 2018	1,951,525	1.67	1,489,525	1.12	-	-	-	-	N/A	N/A	N/A	N/A	N/A	NA
	Representative：Samuel chow	Male	Taiwan R.O.C	Jun 24, 2009	3 years	May. 25, 2018	-	-	-	-	-	-	-	-	The University of Tokyo-Master of Mechanical Engineering An En Investment Co., Ltd.-Chairman	Note 2	N/A	N/A	N/A	NA
Director	Lin Kwo Feng	Male	Taiwan R.O.C	May 26, 2015	3 years	May. 25, 2018	1,435,569	1.23	1,435,569	1.08	289,940	0.22	-	-	National Taiwan University-Bachelor of Mechanical Engineering	Teng Feng Food Co., Ltd.-Chairman Phoenix Battery Corp. –Supervisor	N/A	N/A	N/A	NA
Director	Benson Wu	Male	Taiwan R.O.C	Jun 24, 2009	3 years	May. 25, 2018	512,984	0.44	592,984	0.45	99,511	0.08	-	-	National Sun Yat-sen University-Master of Business Management	N/A	N/A	N/A	N/A	NA
Independent Director	Steven Wu	Male	Taiwan R.O.C	May 26, 2015	3 years	May. 25, 2018	-	-	-	-	-	-	-	-	Boston University-Finance PhD Candidate Arthur D. Little School of Management-Master of Business Science Small & Medium Enterprise Credit Guarantee Fund of Taiwan-Excexutive Director The Export-Import Bank of the Republic of China (Eximbank)-Director	Aurotek Corp.- Remuneration Committe Winmate Inc.- Remuneration Committe Professional Computer Technology Limited-Supervisor	N/A	N/A	N/A	NA

Title	Name	Gender	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Notes(Note1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Huang Hung Lung	Male	Taiwan R.O.C	May 25, 2018	3 years	May. 25, 2018	-	-	-	-	-	-	-	-	Tunghai University-Department of Accounting EMBA National Chung Hsing University-In-Service Master Program of Law Shanghai University of Finance and Economics-Master of Accounting Certified Public Accountant Reform Wei Lih Food Company The Presidential Office the 3rd Human Rights Consultative Committee-Committee Member	WeTec International CPAs-Accountant ChangHua Culture Foundation-Supervisor Ataabu Cultural Foundation-Director Y.C.C. Parts MFG Co., Ltd-Independent Director Li Cheng Enterprise Co., Ltd.-Supervisor	N/A	N/A	N/A	NA
Independent Director	Lin Huan	Male	Taiwan R.O.C	May 25, 2018	3 years	May. 25, 2018	-	-	-	-	-	-	-	-	University of Delaware-J.D. State of New York-Lawyer National Development Concil, Executive Yuan-Vice Chairperson National Development Fund, Executive Yuan-Exceutive Secretary Council for Economic Planning And Development-Regulation Reform, Executive Yuan-Deputy Director China Airline-Supervisor Mega Financial Holding Company-Dirctor Taiwan Aerospace Corp.-Director and Chairman Hung Pang Venture Capital Company-Director	Soochow University, School of Law- Associate Professor	N/A	N/A	N/A	NA

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

Note 2: President of Arise Corporation, President of An Grace Investment Corporation Ltd., Director of Good TV Broadcasting Corp., President of Zmos Technology Corporation, President of Amazing Cool Technology Corporation, President of Rapaq International INC., President of Be New Biotech Venture Capital CO., Ltd., President of Be New Biotech Management Consulting Co.,Ltd., President of Huiding Biomedical Investment Co., Ltd.、Supervisor of Ancore Technology Corporation, Director of Litefilm Technology Co.,Ltd., Director of Masters Techron Taiwan Co., Ltd., Director of Yobon Technologies, Inc., Director of Skywind, INC., Director of Alfaplus Semiconductor INC., Director of Lausdeo Corporation, Director of Chinan Biomedical Technology, INC., Director of Ace Medical Technology Co., Ltd., Supervisor of Asia Liteng Capital Corporation.

1. Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders	
	Shareholder name	%
Ting Dong Liang Investment Co., Ltd	DING, BO-ZONG DING, JIN-YU HUANG, SHI-QIN DING, LIANG-SHAN	55.00% 15.00% 15.00% 15.00%
An Grace Investment Corporation Ltd.	ZHOU, SHEN-AN YANG, QIU-HUI ZHOU, XUN-XIN	59.17% 34.17% 6.66%
Min Ho Shuen Investments Inc	ZHANG, ZENG-BI-YUE ZHANG, YAO-REN ZHANG, YAO-SHENG ZHANG, WEN-XIN	48.53% 25.91% 24.44% 1.12%

2. Major shareholders of the Company’s major institutional shareholders：N/A

3. Professional qualifications and independence analysis of directors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Mike Yang	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng Wen Cheng	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Min Ho Shuen Investments Inc Representative：Chang Yaw Zen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
An Grace Investment Corporation Ltd. Representative：Samuel chow	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Lin Kwo Feng	-	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Benson Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Steven Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin Huan	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Huang Hung Lung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings
6. Not a director, supervisor, or employee of other company that the same person as more than half of the shares on the board of directors with voting rights of the Company.(the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary, or subsidiaries of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
7. Not a director, supervisor, or employee of other company that the same person as president, general manager, or equivalent, or any affiliate of the Company.(the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary, or subsidiaries of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
8. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.(the same does not apply if the specified Company or institution holding more than 20% but not exceed 50% of the total outstanding shares, is an independent director of the Company or its parent company, or any subsidiary, or subsidiaries of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation that cumulative amount of remuneration received in the past two years has not exceeded NTD 500,000 to the company, or to any affiliate of the Company, the same does not apply to any member of the Remuneration Committee, or the Review Committee of Public Tender Offer, or the Special Committees of Consolidation and Acquisition, who exercises powers pursuant to Securities and Exchange Act or Business Mergers and Acquisitions Act.
10. Not a spouse or relative within the second degree of kinship of any other director of the Company
11. Not a person of any conditions defined in Article 30 of the Company Act.
12. Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

(2) Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

March 27, 2020 Unit: shares; %

Title	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name Relation	Title Name Relation	Title Name Relation	
President	Tony Tsai	Male	Taiwan R.O.C	Aug 1, 2018	95,000	0.07	-	-	-	-	National Taiwan University-Department of Mechanical Engineering Iowa State University- Master of Mechanical Engineering University of California, Berkeley- PhD of ME in Silicon photonic modeling Micron Technology – Director Inotera Technology - Special Assistant Nanya Technology – Director Phoenix Silicon International Corporation - Executive Vice President	N/A	N/A	N/A	N/A	NA
Vice President	Eric Pan	Male	Taiwan R.O.C	Aug 1, 2018	50,000	0.04	-	-	-	-	TaTung University- Industrial Engineering Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA
Vice President	Stephen Jiao	Male	Taiwan R.O.C	Aug 1, 2018	140,000	0.11	-	-	-	-	National Cheng Kung University- Master of Engineering Science Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA
Vice President	FN Huang	Male	Taiwan R.O.C	Aug 1, 2018	5,000	0.01	-	-	-	-	Peking Unitviersity-Managing Operation Strategy Advanced Training Class Tamkang University-Department of Computer Science and Information Engineering Yuan Ruei Battery Co., Ltd.-CFO Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA

Title	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name Relation	Title Name Relation	Title Name Relation	
Vice President	TK Huang	Male	Taiwan R.O.C	Oct 05, 2018	5,000	0.01	-	-	-	-	National Cheng Kung University-Master of Department of Chemical Engineering Amkor Technology Co., Ltd-Vice President International rectifier- Director Infineon Technologies AG- Senior Manager Phoenix Silicon International Corporation-Executive Assistant	N/A	N/A	N/A	N/A	NA
Accounting Supervisor	Eunice Tai	Female	Taiwan R.O.C	Apr 15, 2014	-	-	-	-	-	-	National Chung Cheng University-Master of Departmenr of Accounting and Information Technology Phoenix Silicon International Corporation-Senior Manager	N/A	N/A	N/A	N/A	NA
Finance Supervisor	Candy Yeh	Female	Taiwan R.O.C	Jul 16, 2015	-	-	-	-	-	-	Providence University-Department of Accounting Mustek Systems Inc.-Specialist Phoenix Silicon International Corporation-Assistant Manager	N/A	N/A	N/A	N/A	NA
Audit Supervisor	Agnes Chang	Female	Taiwan R.O.C	Aug 02,2019	-	-	-	-	-	-	National Taiwan University of Science and Technology-Department of Information Management U-MEDIA Communications Inc.-Audit Manager Jing Hong Technology Co., Ltd- Audit Manager Macronix International Co., Ltd.- Audit Manager	N/A	N/A	N/A	N/A	NA

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

III. Remuneration to directors, supervisors, general manager and deputy general managers in the most recent year

1.Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2019 Unit: NTD$ 1,000

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C) (Note 1)		Allowances (D) (Note 2)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company		From All Consolidated Entitie		The company	From All Consolidated Entitie	
																Cash	Stock	Cash	Stock			
Director	Mike Yang Cheng Wen Cheng Lin Kwo Feng Benson Wu Min Ho Shuen Investments Inc Representative：Chang Yaw Zen Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin An Grace Investment Corporation Ltd. Representative：Samuel chow	5,440	5,440	0	0	10,393	10,393	551	551	4.93	5.17	0	0	0	0	0	0	0	0	4.93	5.17	NA
Independent Director	Steven Wu Lin Huan Huang Hung Lung	180	180	0	0	0	0	66	66	0.07	0.08	0	0	0	0	0	0	0	0	0.07	0.08	NA

1. Policies, systems, standards and structures of Independent Director remuneration paid and describe the relevance to the amount of remuneration according to responsibilities, risks, time invested, etc.: The remuneration structures of Independent Director was based on the management methods formulated by the company with monthly fixed remuneration, not participating in the annual distribution of director's remuneration. The monthly fixed remuneration is regularly reviewed by the remuneration committee for industry standards, if there is a change proposal, it issubmitted to the board of directors for resolution.
2. Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as being consultant)：NT$700,000

Note 1：The company's director compensation in 2019 was approved by the Broard of directors on February 25, 2020.
Note 2：Refer to costs of the director's related business exection in the most recent year, including transportation expenses and expenses for Company cars.

Remuneration Paid to Directors

<table>
<tr><th rowspan="3">Remuneration Paid to Directors</th><th colspan="4">Directors</th></tr>
<tr><th colspan="2">Total Remuneration (A+B+C+D)</th><th colspan="2">Total Compensation (A+B+C+D+E+F+G)</th></tr>
<tr><th>The company</th><th>From All Consolidated EntitieH</th><th>The company</th><th>From All Consolidated Entitie I</th></tr>
<tr><td>Under NT$ 1,000,000</td><td>Director：
Cheng Wen Cheng, Lin Kwo Feng, Benson Wu,
Min Ho Shuen Investments Inc Representative：Chang Yaw Zen,
Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin,
An Grace Investment Corporation Ltd. Representative：Samuel chow
Independent Director：
Steven Wu, Lin Huan, Huang Hung Lung</td><td>Director：
Cheng Wen Cheng, Lin Kwo Feng, Benson Wu,
Min Ho Shuen Investments Inc Representative：Chang Yaw Zen,
Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin,
An Grace Investment Corporation Ltd. Representative：Samuel chow
Independent Director：
Steven Wu, Lin Huan, Huang Hung Lung</td><td>Director：
Cheng Wen Cheng, Lin Kwo Feng, Benson Wu,
Min Ho Shuen Investments Inc Representative：Chang Yaw Zen,
Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin,
An Grace Investment Corporation Ltd. Representative：Samuel chow
Independent Director：
Steven Wu, Lin Huan, Huang Hung Lung</td><td>Director：
Cheng Wen Cheng, Lin Kwo Feng, Benson Wu,
Min Ho Shuen Investments Inc Representative：Chang Yaw Zen,
Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin,
An Grace Investment Corporation Ltd. Representative：Samuel chow
Independent Director：
Steven Wu, Lin Huan, Huang Hung Lung</td></tr>
<tr><td>NT$ 1,000,000～NT$ 1,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 2,000,000～NT$ 3,499,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 3,500,000～NT$ 4,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 5,000,000～NT$ 9,999,999</td><td>Director：Mike Yang</td><td>Director：Mike Yang</td><td>Director：Mike Yang</td><td>Director：Mike Yang</td></tr>
<tr><td>NT$ 10,000,000～NT$14,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 15,000,000～NT$ 29,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 30,000,000～NT$ 49,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 50,000,000～NT$ 99,999,999</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$ 100,000,000</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>10</td><td>10</td><td>10</td><td>10</td></tr>
</table>

(2) Remuneration Paid to CEO, President and Vice Presidents

Date: December 31, 2019 Unit: NT$1,000

Title	Name	Salary(A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)(Note 2)		Profit Sharing- Employee Bonus (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company	From All Consolidated Entitie	The company		From All Consolidated Entitie		The company	From All Consolidated Entitie	
								Cash	Stock	Cash	Stock			
President	Tony Tsai	9,510	9,510	621	621	2,400	2,400	10,661	0	10,661	0	6.98	7.32	NA
Vice President	FN Huang													
Vice President	Eric Pan													
Vice President	Stephen Liao													
Vice President	TK Huang													

Note 1：The severance pay is pension withdrawals in 2019.

Note 2：The fare incoluds expenses for Company cars.

Note 3：The company's employee compensation in 2019 was approved by the Broard of directors on February 25, 2020, the proposed distribution amount for this year is calculated in proportion to the actual amount of the previous distribution.

Remuneration Paid to Directors

Range of Remuneration	Name of President and Vice President	
	The company	From All Consolidated Entitie
Under NT$ 1,000,000	-	-
NT$ 1,000,000～NT$ 1,999,999	-	-
NT$ 2,000,000～NT$ 3,499,999	-	-
NT$ 3,500,000～NT$ 4,999,999	Stephen Liao、Eric Pan、TK Huang、FN Huang	Stephen Liao、Eric Pan、TK Huang、FN Huang
NT$ 5,000,000～NT$ 9,999,999	Tony Tsai	Tony Tsai
NT$ 10,000,000～NT$14,999,999	-	-
NT$ 15,000,000～NT$ 29,999,999	-	-
NT$ 30,000,000～NT$ 49,999,999	-	-
NT$ 50,000,000～NT$ 99,999,999	-	-
Over NT$ 100,000,000	-	-
Total	5	5

(3) Names of managers distributed employee compensation and the status of distribution

Date: December 31, 2019 Unit: NT$ 1,000

Title		Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total (Note)	Ratio of Total Amount to Net Income (%)
Management	President	Tony Tsai	0	12,283	12,283	3.70
	Vice President	Eric Pan				
	Vice President	Stephen Liao				
	Vice President	FN Huang				
	Vice President	TK Huang				
	Accounting Supervisor	Eunice Tai				
	Finance Supervisor	Candy Yeh				

Note：The company's employee compensation in 2019 was approved by the Broard of directors on February 25, 2020, the proposed distribution amount for this year is calculated in proportion to the actual amount of the previous distribution.

(4)Amount of remuneration paid in the last 2 years by the Company and all companiesincluded in the consolidated financial statements to the Company's directors,supervisors, president, and vice presidents, and the respective proportion of suchremuneration to the income after tax referred to in the entity or standalone financialstatements, as well as the policies, standards, and packages by which it was paid, theprocedures through which the remuneration was determined, and its associationwith business performance and future risks:

Unit: NT$ 1,000; %

Title	2018		2019	
	Total(Note)	Ratio of Total Amount to Net Income (%)	Total (Note)	Ratio of Total Amount to Net Income (%)
Directors	14,581	7.33	16,630	5.01
President and Vice President (Note)	18,900	9.50	23,192	6.98

Note：Benson Wu retired on August 1, 2018. Tony Tsai was appointed as president by resolution of the Board of Directors.

FN Huang、Eric Pan、Stephen Liao were promoted to vice president on August 1, 2018.

TK Huang was promoted to vice president on October 5, 2018.

Remuneration to the directors is proceeded in accordance with Articles of Incorporation and approved by the Board Meeting. Remuneration of president and vice presidents including salary, bonus and profit sharing plan are decided by his/her position, responsibility, and contribution with consideration of common level of the same trade concerned. The procedure of remuneration appropriation is determined based on Articles of Incorporation and internal delegation process. Remuneration appropriated to directors, president and vice presidents is taken consideration with positive correlation with the performance of the Company's business and future operation risk, so as to achieve the balance between sustainable management and risk control.

The board of directors of the company has set up a remuneration committee to assistthe board of directors in formulating the remuneration of directors and managers of the company and the remuneration policy of company. According to the operation of company's articles of association, salary and compensation committeeand the board of directors, the remuneration of directors and managers will be reviewed in a timely manner based on value of participation and contribution to company's operations, and minimize the possibility and relevance of future risks, so as to balancethe company's sustainable operation and risk control.

IV. Implementation of Corporate Governance

(I) Attendance of Directors for Board Meetings

The Board held 9 meetings【A】 in 2019. The attendance of directors is summarized as follows：

Title	Name	Attendance in Person【B】	By Proxy	Attendance Rate in Person (%)【B/A】(Note 2)	Notes
Chairperson	Mike Yang	9	0	100.00	-
Director	Cheng Wen Cheng	9	0	100.00	-
Director	Ting Dong Liang Investment Co., LtdRepresentative：Huang Shin Chin	7	2	77.78	-
Director	An Grace Investment Corporation Ltd.Representative：Samuel chow	1	8	11.11	-
Director	Lin Kwo Feng	9	0	100.00	-
Director	Min Ho Shuen Investments IncRepresentative：Chang Yaw Zen	7	2	77.78	-
Director	Benson Wu	9	0	100.00	-
Independent Director	Steven Wu	9	0	100.00	-
Independent Director	Huang Hung Lung	9	0	100.00	-
Independent Director	Lin Huan	7	2	77.78	-

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee.

(2) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.

II. In instances where an independent director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts:

(1) On May 13, 2019, the board of directors reviewed the company's 2018 directors and supervisors' remuneration issue. This case was voted one by one, the independent director, Wu Hung-Chi was appointed as the deputy chairman to preside the meeting. Except the directors who involve self-interest need to be avoided, the rest of the directors passed the case without objection.

III. Listed and TSE/OTC companies should disclose the information of board 's self- (or peer) evaluation cycle and period, the scope of evaluation and the content of the evaluation. Fill in the implementation of the board 's evaluation.

Listed and TSE/OTC companies should handle the board of dirctior evaluation every year since 2020. When in 2021, listed and OTC companies prepare the 2020 annual report, above matters need to be disclosed. Therefore, the company will disclose those matters when preparing the 2020 annual report.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directorsand assessment of their implementation:

(1) Upgrade the competence and professional knowledge of Board of Directors:

A. Strengthen the professional competence of the board of director: The Company set up audit committee and remuneration committee to assist the board of director exercise their authority.

B. Reduce and disperse the risks which are caused by dirctors' fault or negligent behavior to the company and shareholders.

(2) Execution Evaluation

A. It has cooperated with the listed and OTC company's regulation, insure directors' liability insurance, which can reduce and disperse the risk which are caused by dirctors' fault or negligent behavior to the company and shareholders. Addtinally, strengthens the competence of the board of directors.

B. The Company has established the"Board Meeting Procedures" to comply with. Besides, disclose major board resolutions at the Market Observation Post System.

C. Independent directors regularly review the audit report to internal audit division and grasp the company's operation.

D. Set up corporate governance supervisors to assist directors excercise their duties and enhance effectiveness:

On May 13, 2019, the board of directors approved to set up the corporate governance to deal with directors 'requirements immediately, effectively. It increases the support to the company's directors and strengthen compliance with relevant corporate governance laws and regulations.

E. The company encourage the member of board to participate in various professional courses and conduct relevant laws and regulations on the meeting to enhance the decision-making ability and meet relevant laws and regulations.

Note 1：The company completed the eighth term of director re-election on May 25, 2018. The term of office was from May 25, 2018 to May 24, 2021.

Note 2：The Board held 9 meetings【Ａ】in 2019. Attendance Rate in Person (%) is to calculate by board meeting time and actual attendance time.

(II) Operations of Audit Committee

8 meetings of the Committee in 2018（A），The attendance of independent directors is summarized as follows:

Title	Name	Attendance in Person（B）	By Proxy	Attendance Rate in Person (%)（B/A）	Notes
Independent Director	Steven Wu	8	0	100.00	-
Independent Director	Lin Huan	8	0	100.00	-
Independent Director	Huang Hung Lung	8	0	100.00	-

Other items to be stated:

I.Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, resolution of the Audit Committee and the Company's handling of said resolution:

(1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Board of Directors Date	Board of Directors Term	Contents of Motion	Resolution of the Audit Committee	the Company's handling of said resolution
Jan 21, 2019	8nd term 7th	Motion for report on the profess of the Company's "Plan for Implementation of IFRS No. 16 "Lease"".	Approved	N/A
Feb 25, 2019	8nd term 8th	2018 Financial Report	Approved	N/A
		2018 Business Report	Approved	N/A
		Revise the company's "procurement or disposal of assets" case	Approved	N/A
		2018 Internal Control System Statement	Approved	N/A
Mar 29, 2019	8nd term 9th	Revise "Operation Procedures for Fund Loan and Others ", " Endorsement Guarantee Operation Procedure"	Approved	N/A
		Evaluate the uniqueness and suitability of the company's independent auditor	Approved	N/A
May 13, 2019	8nd term 10th	2019 Q1 Financial Report	Approved	N/A
		Capital expenditure case	Approved	N/A
		Assign corporate governance supervisor	Approved	N/A
Aug 2, 2019	8nd term 11th	2019 Q2 Financial report	Approved	N/A
		Assign audit supervisor	Approved	N/A
Sep 20, 2019	8nd term 12th	Capital expenditure case	Approved	N/A
		Handle domestic first time unsecured convertible bond case	Approved	N/A
Nov 12, 2019	8nd term 14th	2019 Q3 Financial report	Approved	N/A
		Propose 2020 internal audit plan	Approved	N/A
Dec24, 2019	8nd term 15th	2020 capital expenditure case	Approved	N/A
		Propose the company "Board and Functional Committee Performance Evaluation Measures" case	Approved	N/A

(2)Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.

II.In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts: None.

III. Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):

(1) The internal audit supervisors shall attend the meeting of the Board of Directors, periodically provide internal auditing report to Audit Committee to make communication on the implementing status of internal audit, and make timely report to Audit Committee in special occasions. No foregoingspecial occasions occurred in 2019. The communication between the Audit Committee and the internal audit supervisors are fine.

(2)The CPAs engaged by the Company shall attend the meeting of Audit Committee, periodically report the review result of financial statements and other items as required by laws and regulations, and make timely report to the Audit Committee in special occasions. The communication between Audit Committee and CPAs are fine.

IV.Summarization of the annual major tasks of Audit Committee:

The Audit Committee held a total of 8 meetings in 2019 to review the following motions:

(1)Review on financial statements and accounting policies & procedures:

Review on 2018 financial statements and financial statements of Q1~Q3 2019; review on the plan for implementation of IFRS No. 16 “Lease”.

(2)Appraisal on internal control system and validity thereof:

Review on internal audit report and validity of 2019 internal control system;

(3)Transactions of substantial assets, derivatives

(4)Appointment (dismissal), remuneration, competence, independence and performance of external auditors:

Review on the competence, independence and performance of external auditors in 2018;

(5)Appointment audit managers

(6) Handle domestic first time unsecured convertible bond case

(7)Amendments to the procedures for acquisition or disposition of assets,loaning of fund to others, endorsements or guarantees for others;

Note: The Company completed the second term independent director re-election on May 25, 2018. The term of office is from May 25, 2018 to May 24, 2021.

IV. Implementation of Corporate Governance

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the Corporate Governance Best-Practice Principles by following the principles of corporate governance.	No significant difference
II. Shareholding structure & shareholders' rights				
(1) Does the Company establish an internal procedure for handling shareholder proposals, inquiries,disputes, and litigations? Are such matters handled according to the internal procedure?	✓		(1) The Company has established the regular shareholders' meeting to accept shareholder proposal review standards and procedures, and has a speech system to deal with shareholders related issues.	No significant difference
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company shall keep abreast of the major shareholders of the Company through the interaction with the major shareholders and the ultimate controlling shareholder list of the controlling shareholders.	No significant difference
(3) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?	✓		(3) The Company's internal control covers the corporate risk management activities and operating activities. The Company establishes the "Regulations Governing Supervision on Subsidiaries " to fulfill the risk control mechanism against subsidiaries. Meanwhile, the Company also establishes the "Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties" to govern the purchases/sales, acquisition or disposition of assets, endorsements/guarantees and loaning of fund by the affiliates.	No significant difference

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
(4) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(4) The Company has established management regulations for prevention of insider trading by undisclosed information to buy and sell its securities.	No significant difference
III. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors drawn up policies on diversity of its members and implemented them?	✓		(1)The members of the Board of Directors have different professional backgrounds and work fields such as accounting and industry. The members of the Board of Directors include one female directors towards gender diversification to implement Taiwan's Gender Equality Policy Guidelines and to improve female decision-making participation. The Company aims to elect at least one female director, and for the time being, the Company has one female director, accounting for 10% of the whole directors.	No significant difference
(2) In addition to the Remuneration Committee and Audit Committee set in accordance with the law, has the Company voluntarily set up other functional committees?		✓	(2) The Company has established a Remuneration Committee and an Audit Committee. The future plans are to set up other functional committees.	Under discussion and preparation
(3) Has the Company established evaluation rules and methods for the performance of the Board of Directors? Are such evaluations conducted annually?	✓		(3) The Company has established the “Regulations Governing Performance Appraisal on Board of Directors and Functional Committees”. At the end of each year, according to the overall planning of President’s Office, the performance appraisal on the entire Board of directors, individual Board member and functional committees (including Audit Committee and Remuneration Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of Directors and served as the reference for election or nomination of directors and also the	No significant difference

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
			suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company's operations, upgrading of the decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control, et al.. The company will perform performance evaluation by the first quarter of 2021.	
(4) Does the Company regularlyconduct assessments on theindependence of CPA？	✓		(4) The Company has established the "Regulations Governing Appraisal on Independence and Performance External Auditors". The Company will assess the external auditors' independence, competence and performance each year, and submit the assessment report to the Audit Committee and Board of Directors for approval. The Company has completed the 2019 appraisal on independence and performance of external auditors. The appraisal report was already reported to the Audit Committee meeting on April 7, 2020 and approved by the Board meeting on April 4, 2020. The independence and qualification of the CPA shall be evaluated and the CPA shall also issue a statement of independence, thereafter the resolution shall be made by the Board of Directors; The rotation of CPAs shall follow the samerules.	No significant difference.
IV.Has the Company set up a corporate governance (concurrent) unit or personnel for the matters of corporate governance (including but not limited to providing the information required by Directors and Supervisors to carry out business, handling matters	✓		The Company resolved at the Board meeting on May 13, 2019 that the Company's Deputy General Manager of control center, should hold the position as the Company's corporate governance officer concurrently (who has the experience in the management of finance, shareholders' service and parliamentary procedures for TWSE/TPEx-listed companies for	No significant difference.

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
related to the Board of Directors and Shareholders' Meeting by the law, processing company registration and changes of registration, and composing meeting minutes for the Board of Directors and Shareholders' Meeting)?			more than three years), responsible for leading and guiding the President’s Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include: 1. Convention of the Board meetings and shareholders’ meetings under laws. 2. Preparation of the Board meeting and shareholders’ meeting minutes. 3. Helping directors with their duties and continuing education. 4. Providing directors with the information needed to perform their duties. 5. Helping directors comply with laws. 6. Other requirements under the Articles of Incorporation. The status of business executed by the corporate governance officer this year: 1. Set and plan the review on the corporate governance-related regulations, and add and amend the same to fulfill the compliance. 2. Provide the directors with the information needed to perform their duties, and help the directors with their compliance. 3. Help the new directors with their duties and provide related support. 4. Arrange the continuing education courses for individual directors (each director shall attend the training for at least 6 hours each year, provided that each new director shall attend the training for at least 12 years in then year). 5. Plan each Board meetings, notify all directors at least within 7 days prior to the meetings, provide sufficient parliamentary information, and send the Board meeting minutes within 20 days after the meetings. 6. Pre-register the shareholders’ meetings pursuant to laws, produce the meeting notices, parliamentary handbook, annual reports and meeting minutes, and complete registration of changes (amendments	

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
			to the Articles of Incorporation, and election of directors).	
V. Has the Company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees, customers and suppliers), and set up a stakeholder section on the Company's website, and appropriately respond to the important corporate social responsibility issues which are essential to stakeholders？	✓		The Company has set up communication channels for its stakeholders, set up designated section for stakeholders on its corporate website, as well as appropriately responded to important CSR issues raised by stakeholders.	No significant difference.
VI. Has the Company commissioned a professional stock affair agency to manage Shareholders' Meetings and other relevant affairs？	✓		The Company entrusts Grand Fortune Securities Co., Ltd. to act as the Company’s shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference.
VII. Information Disclosure (1) Has the Company established a website to disclose information on financial operations and corporate governance？ (2) Has the Company adopted other means of information disclosure(such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)？ (3) Whether the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as	✓ ✓ ✓		(1) The Company has set up an investor section to disclose information on financial operations and corporate governance. (2) The Company's has set up the investor section on its website. The Company's financial, business, and related information can be found on the Market Observation Post System. The Company's dedicated personnel shall be responsible for information on the Company's financial, business, and other relevant information. The dedicated personnel shall disclose information to the Company's shareholders and stakeholders. A spokesperson and its substitution have been assigned. (3) The 2019 annual financial report has been declared and announced on February 27,2020, and it is planned to make an early announcement and declare the first, second and third quarter financial reports for 2020.	No significant difference. No significant difference. No significant difference.

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
the prescribed period？				
VIII.Has the Company provided other information that is helpful to understand the implementation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, implementation of the Company's policies, and purchase of liability insurance for the Directors and Supervisors)？	✓		(1) Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees' legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems. (2) Investor relations: Disclose the information sufficiently via the MOPS and the Company's website to enable the investors to understand the Company's overview of operation and communicate with investors via the shareholders' meeting and spokesman. (3) Supplier relations: The Company maintains fair interactive relations with the suppliers and conducts audits from time to time to ensure the suppliers' quality. (4) Stakeholders' interests: The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company's website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the legal interests and rights deserved by them. (5) Continuing education of directors: All of the Company's directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required. (6) Implementation of risk management policies and risk measurements: The Company is	No significant difference

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	
			used to managing the risk stably and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time. (7) Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company. (8) Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders' equity, and disclosed the relevant information in the corporate governance section on the MOPS	

Evaluation Item	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, and Reasons
	Yes	No	Summary	

IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies：

Evaluation index content	Improvement matters
Does the company's annual report disclose the implementation of the resolutions of the shareholders' meeting of the previous year?	The implementation of the shareholders 'meeting in the 2019 annual report, which has disclosed the implementation of the resolutions of the shareholders' meeting.
Detailed disclosure in the annual report for the annual priorities and operations of the audit committee	The operation of the audit committee in the 2019 annual report, which has disclosed the annual focus and operation of the audit committee.
Does the company detailed disclosure of the discussion and resolution results of the Salary and Remuneration Committee in the annual report, and the company's handling of members' opinions?	The annual report of the operation of the salary and remuneration committee in 2019, which has disclosed the reasons for the discussion of the committee and the results of the resolution, as well as the company's handling of members' opinions.
Does the company's board of directors regularly (at least once a year) assess the independence of visa accountants, and disclosure of assessment procedures in the annual report?	The 2019 annual report of corporate governance operations, which has disclosed the evaluation time and procedures of the board of directors.
Does the company set up a corporate governance supervisor to be responsible for corporate governance-related matters, and explain the terms of reference, business execution priorities and further training on the company's website and annual report?	The corporate governance operation in the 2019 annual report or the company's website has disclosed the content of corporate governance executives and their responsible affairs, and in the other information of corporate governance of the annual report, disclosed the status of corporate governance executive training.

(IV) Composition, Responsibilities and Operations of the Remuneration Committee

1. Remuneration Committee

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor,attorney ,certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce ,law, finance, or accounting ,or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Steven Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Huang Hung Lung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Lin Huan	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: A " " is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

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

2. Not a director or supervisor of the company or any of its affiliates.

3.Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.

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

5.Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

6.Not if a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

7 Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.

8.Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

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

2. Operation of the Remuneration Committee

(1)The Company's Remuneration Committee consists of 3 members.

(2) The tenure of the third Remuneration Committee starts from Jun 5, 2018 to May 24, 2022.The Remuneration Committee has held 7 meetings (A) in 2018. The attendance of the directors was as follows：

Title	Name	Attendance in person(B)	Attendance by proxy	Attendance rate (%)(B/A)	Remarks
Convener	Steven Wu	7	0	100.00%	-
Member	Huang Hung Lung	7	0	100.00%	-
Member	Lin Huan	7	0	100.00%	-

Other mentionable items：

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee's proposals, it should specify the date of meeting, sessions, content of the motion, resolution by the Board of Directors and the Company's response to the Remuneration Committee's opinion (e.g., theremuneration passed by the board of directors exceeds the recommendation committee, the circumstance and cause for the difference shall be specified): None.

II. Resolutions of the Remuneration Committee objected by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion of the Remuneration Committee, all members' opinions and the response to members' opinion should be specified: None.

III .Operations of Remuneration Committee：

Remuneration Commit tee Date	Remuneration Committee Term	Contents of Motion	Resolution	the Company's resolution of the Remuneration Committee's opinions
Jan 21, 2019	3nd term 5th	1.The company's 2018 year-end bonus amount case	Approved	N/A
Feb 25, 2019	3nd term 6th	1.Motion for allocation of 2018 remuneration to employees 2.Motion for allocation of 2018 remuneration to directors.	Approved	N/A
Mar 29, 2019	3nd term 7th	1.The company's manager salary adjustment case	Approved	N/A
May 13, 2019	3nd term 8th	1. The Company's 2018 Directors' Remuneration Distribution Case 2. The company's managers' 2018 employee compensation distribution case 3. The company's managers in the first quarter of 2019 (incentive) bonus distribution case	Approved	N/A
Aug 2, 2019	3nd term 9th	1. The case of the company 's managers in the second quarter of 2019	Approved	N/A
Nov 12, 2019	3nd term 10th	1. The case of the company 's managers in the third quarter of 2019	Approved	N/A
Dec 24, 2019	3nd term 11th	1. Amendment to the Company's "Directors' Remuneration and Remuneration Distribution Method" 2. The company's general manager salary adjustment case	Approved	N/A

(V) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	yes	no	Abstract Explanation	
I、Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and set up relevant risk management policies or strategies?	✓		(I)The company has set up the "Code of Practice for Corporate Social Responsibility", will continue to promote environmental protection regarding corporate social responsibility, energy conservation, carbon reduction and greening etc., and review the implementation effectiveness. (II)In the process of business operation and management, the company will prevent and control portential risks, and conduct risk assessment regarding the environmental, social and corporate governance issues related to the company's operations according to the principle of materiality, as a reference for the company's risk management and operation strategy.	No significant difference
II、Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board	✓		The company has established management center as an exclusively (concurrently) corporate social responsibility unit. The board of directors authorizes the management center to handle and follow the Code of Practice for Corporate Social Responsibility adopted by the board of directors, and is responsible for corporate social responsibility policies, systems or related management policies and specific promotion plans. Proposed and implemented, and regularly report to the board of directors every year.	No significant difference
III. Environment issues (I)Does the company establish an appropriate environmental management system based on industry characteristics?	✓		(I) The company passed the ISO 14001 environmental management system in 2004, and verifies the effectiveness of the continuous system every year.For each	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	yes	no	Abstract Explanation	
			pollution project, assign a person to be responsible. In addition, the factory is equipped with a complete wastewater and waste gas treatment system to minimize pollution. By establishing an environmental management system and implementing specific action plans, the impact of business operations on the natural environment and human health is reduced, and the sustainable use of resources is promoted.	
(II)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(II)The company effectively implemented the process wastewater recycling and reuse, reducing finished packaging materials and saving process power saving measures. Cooperate with suppliers to actively recycle and reuse waste wood boards and packaging materials to achieve the purpose of reducing waste.	No significant difference
(III)Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to deal with climate-related issues?	✓		(III) The company has assessed the potential risks and opportunities of climate change to the company now and in the future, and has incorporated risk management to actively promote energy conservation and carbon reduction. Has passed ISO 14064-1 greenhouse gas inventory and ISO 50001 energy management system. Through the enterprise's own electrical control and electrical equipment system has been optimized to achieve energy-saving effects.	No significant difference
(IV)Does the company count greenhouse gas emissions, water consumption and total waste in the past two years, and has formulated policies for energy	✓		(IV) The company is actively committed to energy saving and carbon reduction, and actually counts greenhouse gas emissions every year; monthly statistics on water consumption and waste output weight.	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	yes	no	Abstract Explanation	
saving and carbon reduction, greenhouse gas reduction, water use or other waste reduction management?			Develop action measures every year to save more than 1% of energy. In 2018, energy saving was 1.94%, and in 2019, energy saving was 1.44%. In the control of greenhouse gases, the greenhouse gas emissions of monolithic products are reduced by 1% compared with the previous year. The greenhouse gas emissions of monolithic products in 2019 decreased by 1.2% compared with 2018. In addition to strengthening energy conservation and carbon reduction, reduce greenhouse gas emissions, actively implement waste classification and resource recovery, and continuously manage and control water use, and gradually promote plans to reduce water use and water recycling to achieve process recovery rates> 70 %. The recovery rate of the whole plant is> 50%, and the emission rate of the whole plant is <80%.	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	yes	no	Abstract Explanation	
IV. Social issues				
(I)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I)The company complied with labor laws and other relevant labor regulations, and has formulated various management measures to protect the legitimate rights and interests of employees.	No significant difference
(II)Does the company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	✓		(II)The company has formulated and implemented reasonable employee welfare measures, the company's operating performance and employees' individual work performance, which are the most relevant indicators for the calculation of the issuance of quarterly bonuses, year-end bonuses, employee compensation, therer are also patent incentives , proposal improvement bonus, MVP employees, etc., to reward employees for their excellent performance. In addition to the leave stipulated by the Labor Law, there is a special leave system in which a person who serves as a supervisor at or above the ministerial level is entitled to make up leave every month.	No significant difference
(III)Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III)In order to ensure the personal safety and healthy working environment of employees, the company provides a good working environment and provides employee health check and safety and health education training for newcomers and employees.	No significant difference
(IV)Does the company provide its employees with career development and training sessions?	✓		(IV)Through the improvement of the employee welfare system and good education and training, after employees entering the company, in addition to enjoying sound labor benefits and living	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	yes	no	Abstract Explanation	
			security, also committed to education and training of employees, so that the employee's career planning and the company's future development are fully integrated.	
(V) Regarding customer health and safety of products and services, customer privacy, marketing and labeling, has the company complied with relevant regulations and international standards, and has formulated relevant consumer protection policies and complaint procedures?	✓		(V) The company sets customer complaint handling standards and customer feedback handling procedures, establishes a customer-oriented quality system, and uses objective methods to objectively assess customer satisfaction with company products or services to understand the gap between customer needs and expectations, as the basis for quality system improvement, to achieve the goal of sustainable business management. The company's marketing and labeling of products and services comply with relevant regulations and international standards.	No significant difference
(VI)Does the company set up supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation?	✓		(VI) The company has set up supplier management procedures and contractor safety and health management procedures. Before dealing with suppliers, it is required that suppliers must provide "Environmental Hazardous Substances Conformity Limit Requirements Commitment" and evaluate the environmental safety and health system. And the contract or order between the company and the main supplier, please indicate that please cooperate with the company to implement the "environmental safety and energy management system" requirements, support the concept of energy saving and carbon reduction and	No significant difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof</th></tr>
<tr><th>yes</th><th>no</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>follow the contractor ’s safety and health regulations, and do not use harmful Substances, no use of conflict metals and commitment to abide by the Code of Conduct established by the Electronic Industry Citizenship Coalition (EICC). Although the terms of termination or termination of the contract are not clearly regulated, the company may still consider temporarily or terminating its business transactions.</td><td></td></tr>
<tr><td>V. Does the company refer to internationally-recognized report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose non-financial information? Has the pre-release report obtained the confidence or assurance opinion of the third-party verification unit?</td><td></td><td>✓</td><td>The company has not yet made reference to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information.</td><td>In the future, Relevant mechanisms will be set up in accordance with the regulations of listed OTC corporate governance Code of Practice</td></tr>
<tr><td colspan="5">V. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
The Company has established the “Corporate Social Responsibility Best-Practice Principles” and devoted to promote the corporate social responsibilities, which has no significant difference with the Rules.</td></tr>
<tr><td colspan="5">VI.Other important information to facilitate better understanding of the company’s corporate social responsibility practices:
1.The company employs people with physical and mental disabilities to increase employment opportunities. There are six in total currently.
2. The company has insured public accident insurance and employee group insurance.
3. The employees of the company, regardless of male, religious, party, equality in employment opportunities and the company also creates a good working environment to ensure that employees are protected from discrimination and harassment.
4. The company has environmental security units, responsible for the implementation and management of the Safety and Health Law, regular staff health checkups and staff restaurants provide meals.
5. The company participates in and sponsors social public from time to time, to fulfill the obligations and responsibilities of business operation.</td></tr>
</table>

(VI) Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	yes	No	Abstract Explanation	
I.Establishment of ethical corporate management policies and programs				
(I)Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(I)The Company has established the "Code of Ethical Conduct for Directors and Managers" and "Code of Integrity Management", and the legal department reports to the board of directors on the implementation status at least once a year. In fair, justice and open way, it is indeed implemented in internal management and external business activities. In order to promote integrity, the company keeps going on the educational training for all employees, and uploads relevant specifications on the internal network of the company for colleagues to consult at any time.	No deficiency
(II)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(II)The company manages the relationship with suppliers in accordance with the "Directors and Managers' Code of Ethical Conduct", "Code of Integrity Management", and "Guidelines for Integrity Management Operation Procedures and Conduct", audits and reports the implementation situation to the board of directors at least once a year.When the company signs the contract with the supplier, the contract specifies the terms of termination or cancellation of the contract at any time if dishonest behavior occurs.	No deficiency

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	yes	No	Abstract Explanation	
(III)Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(III)In order to prevent from any dishonest behavior, the company requires employees to take the initiative to explain to the company in case of ethical concerns and conflicts of interest, and to comply with relevant regulations. The company sets up the mailboxes for employees and related personnel to report any violation or illegal actions, and the management by the company authorized deals with it personally.	No deficiency
II. Fulfill operations integrity policy (I)Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I)At present,before the transaction with the supplier in the process, the contractor will always review the past transaction records and search the information of the supplier via the internet to confirm whether there are records of dishonesty of the supplier or not, and it shall be stated on the agreement that in case any dishonesty is occurred, the party shall be terminated or cancel the contract immediately.	No deficiency
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(II) It is designated by the company that the legal department as a special unit, responsible for assisting the board of directors and management to formulate and supervise the implementation of the integrity management policy and prevention plan to ensure the implementation of the integrity management code, and regularly	No deficiency

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	yes	No	Abstract Explanation	
			check the preceding system for at least one year. The compliance has been reported to the board of directors for the year in 2019 on December 23,2019.	
(III)Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) In order to prevent from any dishonest behavior, the company requires that employees should take the initiative to explain to the company if anything about ethical concerns and conflicts of interest is happened. Ther is no violation of the ethics happened to the employees in the year of 2019	No deficiency
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(IV)The company has established an effective accounting system and internal control system to ensure the implementation of integrity management.	No deficiency
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(V)The total of 134 people had participation in the educational training about the integrity management issues held by the company in the 2019th year. The total of 721 people participated in and passed the test for the employee ethics management announcement course.	No deficiency
III.Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the	V		(I) The company set up "The grievance report procedures", " The management procedures for	No deficiency

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	yes	No	Abstract Explanation	
accused be reached by an appropriate person for follow-up?			protection the complaint whistleblower ", set up the mailbox for employees, and the legal department as the specific responsible unit deals with the related affairs in accordance with the regulations on the procedures stated above mentioned. No complaint or report case in violation of the integrity management was received.	
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(II) The Company assigned dedicated units to conduct investigations on relevant matters, while the identity of the whistleblower and the content of the report will be kept confidential.	No deficiency
(III) Does the company provide proper whistleblower protection?	V		(III)The Company assigns dedicated personnel to handle accusation cases, and will actively investigate on the case, while the identity of the whistleblower and the content of the report will be kept confidential.	No deficiency
IV. Enhanced information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(I) In addition to the integrity management procedures and behavior guidelines on the official website of the company, in accordance with the RBA Responsible Business Alliance Guidelines,it is prohibited in any forms of bribery, corruption, extortion and embezzlement of public funds, and actively promotes the enterprises integrity,	No deficiency

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	yes	No	Abstract Explanation	
			the core values with integrity and to prevent from corruption happened. (II) At least once a year, the company conducts educational announcements for current directors, managers and employees on the "Administrative Management for Preventing Insider Trading" ,related laws and regulations , for new directors and managers within 3 months on board mentoring,and for new employees, it will be educated by personnel during pre-employment training. (III) In the year of 2019, the current directors have been arranged to participate in the "2019 Annual Prevention of Insider Trading Announcement Conference" and it also provided relevant educational announcement to managers and employees on December 20, 2019. The training information is included the confidential operation of the material information, the reasons for the formation of the internal trading, the identificational process and the description of the trading example, and it uploaded the course electrical briefing, audio and video files to the internal system as refernace for staffs who did not attend on the day.	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="5">V. If the company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the policies and their implementation: None</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (under situations such as review and revision of regulations):
(I) The company operates with a clean, transparent, and responsible attitude, formulates policies based on integrity, and establishes good corporate governance and risk control mechanisms to create a sustainable development business environment. Directors, managers, and employees represent the symbol of the company's integrity management whether they perform business internally or externally. The company's external website, annual report and public brochure all disclose the compliance with the integrity management code.
(II) The company's board of directors has precisely implemented the system of avoiding directors' interests.
(III) The company will always pay attention to the development of domestic and foreign standards of integrity management, based on this review the company's relevant management measures were formulated.
(IV) The company abides by the company law, the securities trading law, the international accounting standards, relevant laws and regulations recognized by the Financial Supervisory Commission as the basis for the implementation of honest operation.</td></tr>
</table>

(VII) Corporate Governance Guidelines and Regulations:

Regarding the relevant regulations of the Corporate Governance Code, the Company has formulated the Corporate Governance Practice Code, Shareholder Meeting Rules, Board Meeting Rules, Integrity Management Code, Integrity Management Operation Procedures and Conduct Guidelines, etc., which are currently exposed in the Corporate Governance section of the company ’s website. In addition, relevant regulations are also disclosed in the Corporate Governance Zone of the Open Information Observatory, the Annual Report of the Shareholders ’Meeting and the Proceedings Manual, which can be found on the company ’s website and the Open Information Observatory and other channels.

(VIII) Other Important Information Regarding Corporate Governance:

1. The company continues to invest resources to strengthen corporate governance operations. At present, there is a salary and compensation committee and an audit committee. The company's webpage also has a corporate governance area to expose relevant regulations, and to disclose important information in real time, devoted to safeguarding the rights to know of investors and shareholders.

2. The situation of the company ’s accounting and audit personnel obtaining relevant domestic and foreign licenses:

   Internal auditor's license: one person in the accounting department.

3. Directors of the Company, managers and supervisor of corporate governance training and training situations.

Title	Name	Training date	Institution	Training course	Training hours
Director	Mike Yang	May 3, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
		Nov 27, 2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	3 hours
Director	Cheng Wen Cheng	Jul 31, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
		Nov 19, 2019	Taiwan Stock Exchange	Publicity meeting for effective use of directors' functions	3 hours
Director	Lin Kwo Feng	Jul 24, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
		Nov 27, 2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	3 hours
Director	Benson Wu	Nov 27, 2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	6 hours
Representative of corporate director	Samuel chow	Jul 17, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
		Nov 27, 2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	3 hours
Representative of corporate director	Huang Shin Chin	Aug 16, 2019	Taiwan Securities and Futures Institute	2019 Annual Insider Equity Transaction Law Compliance Promotion Conference	3 hours
		Nov 8, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
Representative of corporate director	Chang Yaw Zen	Jul 31, 2019	Taiwan Securities and Futures Institute	2019 Annual Insider Equity Transaction Law Compliance Promotion Conference	3 hours

Title	Name	Training date	Institution	Training course	Training hours
		Nov 27, 2019	Taiwan Corporate Governance Association	The 15th International Forum on Corporate Governance	3 hours
Independent Director	Huang Hung Lung	Nov 23, 2019	Association of Certified Fraud Examiners	Operation of Court Appraiser and Expert Witness and Direction of Amending Law	3 hours
		Nov 23, 2019	Association of Certified Fraud Examiners	Professional ethics	3 hours
Independent Director	Lin Huan	May 7, 2019	Taiwan Stock Exchange	Climate-related financial disclosure promotion forum	3 hours
		Nov 19, 2019	Taiwan Stock Exchange	Publicity meeting for effective use of directors' functions	3 hours
Independent Director	Steven Wu	Apr 26, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	6 hours
		May 15, 2019	Taiwan Stock Exchange	ESG Investment Promotion Forum	3 hours
Accounting Manager	Eunice Tai	Jun 20, 2019	Accounting Research and Development Foundation	Issuer Securities Firm Stock Exchange Accounting Supervisor Continuous Training Course	12 hours
		Dec 10, 2019	Accounting Research and Development Foundation	The impact of new major income tax and business tax reforms on business operations	3 hours
Head of Corporate Governance	FN Huang	Jul 23, 2019	Accounting Research and Development Foundation	The new version of “ Corporate Governance Blueprint (2018-2020) " Auditing and Control Practice Analysis	6 hours
		Aug 1, 2019	Taiwan Investor Relations Institute	The responsibilities and challenges of corporate governance personnel	3 hours
		Aug 23, 2019	Accounting Research and Development Foundation	The latest "Company Law" amends the employee reward system in response to practice	3 hours
Financial Manager	Candy Yeh	Mar 4, 2019	Taiwan Stock Exchange	2019 Annual Corporate Governance Evaluation and Publicity Meeting	3 hours
		May 3, 2019	Taiwan Securities and Futures Institute	2019 Annual Conference on Prevention of Insider Trading	3 hours
		Sep 11, 2019	Hsinchu Science Park.	The latest "Company Law" amends the employee reward system in response to practice	3 hours

Title	Name	Training date	Institution	Training course	Training hours
Audit Manager	Agnes Chang	Oct 22, 2019	Accounting Research and Development Foundation	The Impact of the New Labor Incident Law on Enterprises and Legal Compliance Audit Practices	6 hours
		Nov 28, 2019	the Institute of Internal Auditors	Computer-aided check technology and data analysis	6 hours

4. The company's internal major information processing situation

In order to follow the internal major information processing operations, the company has specially formulated "financial and non-financial information management operations" and "prevention of internal transaction management operations" in the internal control system. And announced the disclosure on the company's internal website to enable all colleagues to follow the company's major financial business information processing and control, To avoid the possibility of negligent violations and insider transactions.

(Ⅸ) The state of implementation of the Company's internal control system

1. Statement of Internal Control System

Phoenix Silicon International Corporation
Internal Control Disclosure Statemen

Date: February 25, 2020

The internal control system of the Company in 2019, based on the results of self-assessment, is hereby stated as follows:

Ⅰ. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board and the Managers of the Company, and the Company has established such system. The objectives of internal control system reasonably ensure the achievement of operational effectiveness and efficiency objectives (including profits, performance, and safeguard of asset security), the reliability, timeliness, transparency, and regulatory compliance of reporting.

Ⅱ.The internal control system has inherent limitations, which is designed to provide reasonable assurance on the achievement of the aforementioned three goals. The effectiveness of the internal control system is also subject to changes for external environments and conditions. However, the Company's internal control system contains self-monitoring mechanisms and once a defect is identified, the Company will take corrective action.

Ⅲ.The Company has made judgments on the effectiveness of internal control systems in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Handling Guidelines"). The design and implementation of the internal control system are determined as follows. The assessment items of the internal control system, which are adopted by the “Handling Guidelines,” are based on the process of management control, and divided into five constituent elements: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of items. For the aforementioned items, please refer to the “Handling Guidelines.”

Ⅳ.The Company has already adopted the aforementioned assessment items of the internal control system to evaluate the design and operating effectiveness of the internal control system.

Ⅴ. Based on the results of the assessment items mentioned above, the Company's internal control system (including the monitoring and management of the subsidiaries) as of December 31, 2018, including the degree of achievement of operational effectiveness and efficiency objectives, the reporting of the Company is reliable, timely, transparent, and complies with applicable rules, the design and operating effectiveness of the relevant internal control system are valid and can reasonably ensure that the objectives mentioned above are achieved.

Ⅵ.This Statement shall be published in the Company's annual report and public offering prospectus. If the content of the above disclosure is unlawful, such as falsehood or concealment, it will entail legal liabilities such as Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

Ⅶ.This Statement has been passed by the Board of Directors in the meeting held on February 25, 2020, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Phoenix Silicon International Corporation

Chairperson：

President：

2. CPA Audit Report Should Be Disclosed If CPA Is Entrusted To Perform Internal Audit: NA

(X) Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

(XI) As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.

1.Important resolutions of the Board of Directors

Board of Directors Date	Board of Directors Term	Contents of Motion
Jan 21, 2019	8nd term 7th	1. The case of the company's year-end bonus amount for managers in 2018. 2. Adopted the company's International Financial Reporting Standard No. 16 "Leases" to introduce the plan and control the execution progress report.
Feb 25, 2019	8nd term 8th	1. Purchase of machinery and equipment. 2. Purchase of Building A of United Optical Fiber Communication Co., Ltd. 3. The company's 2018 financial report. 4. The company's 2018 employee compensation distribution case. 5. The company's 2018 directors' remuneration distribution case. 6. The company's 2018 annual business report. 7. Amend the case of the company's "procurement of disposal of assets" 8. Hold 2019 regular shareholders' meetings. 9. Accept written proposals from shareholders holding more than 1% of the shares. 10. Approved the "Statement of Internal Control System" of 2018
Mar 29, 2019	8nd term 9th	1. The company's 2018 surplus distribution proposal. 2. Amend the company's various operating procedures. (1) "Funding loan and operating procedures for others". (2) "Endorsement Guarantee Operation Procedure". 3. Add the case of 2019 Annual Shareholders' General Meeting. 4. Assess the uniqueness and suitability of the company's certifying accountants.
May 13, 2019	8nd term 10th	1. The company's financial report for the first quarter of 2019. 2. The company's 2018 directors' remuneration distribution case. 3. The company's managers' 2018 employee compensation plan. 4. Purchase of machinery and equipment. 5. Designate the case of corporate governance supervisor. 6. Formulate "standard operating procedures for handling directors' requests".
Aug 2, 2019	8nd term 11th	1. Amend the company's "Organizational Rules of Audit Committee". 2. The company's financial report for the second quarter of 2019. 3. Appointment of the company's audit supervisor.
Sep 20, 2019	8nd term 12th	1. The company's capital expenditure case. 2. The company handled the first domestic unsecured conversion of corporate debt case.
Oct 23, 2019	8nd term 13th	1. The company's first domestic unsecured conversion corporate bond issuance and conversion price is set.
Nov 12, 2019	8nd term 14th	1. The company's financial report for the third quarter of 2019. 2. Propose an internal audit plan for 2020.
Dec 24, 2019	8nd term 15th	1. Amendment to the Company's "Directors' Remuneration and Distribution Method".

Board of Directors Date	Board of Directors Term	Contents of Motion
		2. Formulate the company's 2020 operation plan. 3. Formulate the company's "Board and Functional Committee Performance Evaluation Measures" case.
Jan 15, 2020	8nd term 16th	1. The company's 2019 year-end bonus amount for managers.
Feb 25, 2020	8nd term 17th	1. The company's 2019 financial report. 2. The company's 2019 employee compensation distribution case. 3. The company's 2019 director's remuneration distribution case. 4. The company's "employee bonus budget and distribution and application method" revised draft provisions. 5. The company's 2019 annual business report. 6. Hold the 2020 regular shareholders meeting. 7. To deal with written matters related to shareholders who hold more than 1% of the shares. 8. Approved the "Internal Control System Statement" of 2019.
Apr 7, 2020	8nd term 18th	1. The company's 2019 surplus distribution proposal. 2. Assess the uniqueness and suitability of the company's certifying accountants.

II .Important resolutions and implementation status of the annual Shareholders' Meeting.

Shareholders' Meeting	Resolution	Review of Implementation Status
Shareholders' General Meeting May 24, 2019	Recognize the 2018 annual business report and financial statements.	Pass the case.
	Acknowledgement of the 2018 surplus distribution proposal.	After the resolution of the shareholders' meeting, the cash dividend distribution operation was completed on July 10, 2019 (NTD 1.6 per share, totaling NTD 211,852,800).
	Approved the case of amending the "procurement procedure for acquiring or disposing of assets".	After the resolution of the shareholders' meeting, it shall be implemented in accordance with the amended provisions.
	Approved the case of "Procedure for Fund Loan to Others".	After the resolution of the shareholders' meeting, it shall be implemented in accordance with the amended provisions.
	Approved the case of "Endorsement Guarantee Operation Procedure".	After the resolution of the shareholders' meeting, it shall be implemented in accordance with the amended provisions.

(XII) As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.

(XIII) As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairperson, President, Accounting And Audit Managers):

Apr 25, 2020

Title	Name	Date Assumed	Date of Dismissal	Reason for Resignation or Dismissal
Internal Audit Manager	Lin Shih- Kai	Apr 14, 2015	May 17, 2019	Personal career planning

Ⅴ. Information Regarding Audit Fees

(Ⅰ) Information on CPA Fees

Accounting Firm	Name of CPA		Audit Period	Remarks
PwC Taiwan	Li, Tien-Yi	Xie, Zhi-Zheng	Jan1 , 2019～Dec31 , 2019	None.

Unit: NT$ thousand

	Interval of the Amount \ Project at Public Expense	Audit Fees	Non-Audit Fees	Total
1	Less than NT$2,000 thousands	-	-	-
2	NT$2,000 thousands (inclusive) ~ NT$4,000 thousands	2,240	200	2,440
3	NT$4,000 thousands (inclusive) ~ NT$6,000 thousands	-	-	-
4	NT$ 6,000 thousands (inclusive) ~ NT$8,000 thousands	-	-	-
5	NT$8,000 thousands (inclusive) ~ NT$10,000 thousands	-	-	-
6	Over NT$10,000 thousands	-	-	-

(Ⅱ) Non-audit fee paid to auditors and the accounting firm accounted for more than one-fourth of total audit fee shall disclose the amount and the service item

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period	Remark
			System Design	Business Registration	Human Resource	Others	Sub-total		
PwC Taiwan	Li, Tien-Yi Xie, Zhi-Zheng	2,240	0	0	0	200	200	Jan 1, 2019～ Dec 31, 2019	The main non-audit Fees are CB decare and bonded audit.

(Ⅲ) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

(Ⅳ) When the audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

Ⅵ. Information on Replacement of Independent Auditors

(Ⅰ) Regarding the former certified public accountant: Not applicable.

(Ⅱ) Regarding the successor certified public accountants: Not applicable.

(Ⅲ) Former certified public accountants' reply to Item 1 and Item 2-3, paragraph 6, article 10, of the regulations governing information to be published in annual reports of public companies: Not applicable.

Ⅶ. The Chairperson, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

VIII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report:

(I) Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	2019		Current year to Mar 27, 2020	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairperson	Mike Yang	0	0	(937,000)	0
Director	Cheng Wen Cheng	0	0	0	0
Director	Ting Dong Liang Investment Co., Ltd Representative：Huang Shin Chin	0	0	0	0
Director	An Grace Investment Corporation Ltd. Representative：Samuel chow	(345,000)	0	(117,000)	250,000
Director	Lin Kwo Feng	0	0	0	0
Director	Min Ho Shuen Investments Inc Representative：Chang Yaw Zen	0	0	0	0
Director	Benson Wu	0	0	0	0
Independent Director	Steven Wu	0	0	0	0
Independent Director	Huang Hung Lung	0	0	0	0
Independent Director	Lin Huan	0	0	0	0
President	Tony Tsai	5,000	0	0	0
Vice President	Eric Pan	(187,111)	0	(20,000)	0
Vice President	Stephen Jiao	(57,000)	0	(35,000)	0
Vice President	FN Huang	0	0	0	0
Vice President	TK Huang	(10,000)	0	0	0
Accounting Manager	Eunice Tai	(52,000)	0	(35,000)	0
Financial Manager	Candy Yeh	(19,012)	0	(15,000)	0
Major shareholder	Applied Materials，INC	0	0	0	0

(II) Shares Trading with Related Parties:

Name	Reasons for share transfer	Transaction date	Counterparty	The relationship between the counterparty of the transaction and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Trading price
Mike Yang	Discipline (gift)	Feb 27, 2020	Yang Ai Lin	Wife	900,000	58.2
Mike Yang	Discipline (gift)	Feb 27, 2020	Yang Hsin Hsin	Daughter	37,000	58.2

(III) Shares Pledge with Related Parties:

Name	Reasons for changes in pledge	Transaction date	Counterparty	The relationship between the counterparty of the transaction and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Shareholding ratio	Pledge ratio	Pledge (redemption) amount
An Grace Investment Corporation Ltd.	Pledge	Feb 10, 2020	Chailease Finance Co., Ltd.	None	150,000	0.11	0.11	0
An Grace Investment Corporation Ltd.	Pledge	Feb 17, 2020	Chailease Finance Co., Ltd.	None	100,000	0.08	0.08	0

IX. Relationship Information of the Top 10 Shareholders among who are Related Parties:

Mar 27, 2020；Unit: Shares；%

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		among who are related parties		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation- ship	
Applied Materials，INC	15,227,273	11.50	-	-	-	-	None	None	-
Representative：DICKERSON GARY E	-	-	-	-	-	-	None	None	-
Sin An Development Co., Ltd.	3,275,535	2.47	-	-	-	-	None	None	-
Representative：Chiang Shu Chuan	-	-	-	-	-	-	None	None	-
Cheng Wen Cheng	2,517,157	1.90	-	-	-	-	None	None	-
TransGlobe Life Insurance Inc.	1,858,000	1.40	-	-	-	-	None	None	-
Representative：Peng Teng Te	-	-	-	-	-	-	None	None	-
Min Ho Shuen Investments Inc	1,817,520	1.37	-	-	-	-	None	None	-
Representative：Chang Yaw Zen	1,487,581	1.12	422,353	0.32	-	-	Chang Yao-Sheng	Second-degree relatives	-
An Grace Investment Corporation Ltd.	1,489,525	1.13	-	-	-	-	None	None	-
Representative：Samuel chow	-	-	-	-	-	-	None	None	-
Chang Yaw Zen	1,487,581	1.12	422,353	0.32	-	-	Chang Yao-Sheng	Second-degree relatives	-
Chang Yao-Sheng	1,487,579	1.12	412,052	0.31	-	-	Chang Yaw Zen	Second-degree relatives	-
Lin Kwo Feng	1,435,569	1.08	-	-	-	-	None	None	-
Ting Pai Tsung	1,331,000	1.01	-	-	-	-	None	None	-

X. Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company

December 31, 2019；Unit: Thousand shares; %

Reinvested entities	Investment by PSI		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Phoenix Battery Co., Ltd.	25,100	71.51	3,786	10.79	28,886	82.30

IV. Capital Overview

I. Capital and Shares

(I) Source of capital

Units: NT$ thousands; thousand shares

Year/ month	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increased by Assets Other than Cash	Other
Mar 1987	10	66,000	660,000	16,500	165,000	Established	None.	Note 1
Jun 1987	10	66,000	660,000	66,000	660,000	Capital increase by cash of 495,000	None.	Note 2
Mar 1988	12	110,000	1,100,000	88,000	880,000	Capital increase by cash of 220,000	None.	Note 3 Note 4
Oct 1992	—	110,000	1,100,000	74,800	748,000	Reduce capital 132,000	None.	Note 5
Nov 1994	11	110,000	1,100,000	92,400	924,000	Capital increase by cash of 176,000	None.	Note 6
Jun 2003	10	110,000	1,100,000	93,452	934,520	Employee stock option certificate conversion 10,520	None.	Note 7
Aug 2003	11	200,000	2,000,000	111,452	1,114,520	Capital increase by cash of 180,000	None.	Note 8 Note 9
Dec 2003	10	200,000	2,000,000	112,828	1,128,280	Employee stock option certificate conversion 13,760	None.	Note 10
Oct 2004	51	200,000	2,000,000	116,828	1,168,280	Capital increase by cash of 40,000	None.	Note 11
Jul 2008	24.6	200,000	2,000,000	132,408	1,324,080	Capital increase by cash of 155,800	None.	Note 12

Note1:Approval Document No. The 3 March 1997 Letter No. Science-Park-Listed-Company -03691 of Science Park Administration.
Note2: Approval Document No. The 25 June 1997 Letter No. Science-Park-Listed-Company -12733 of Science Park Administration.
Note3: Approval Document No. The 8 January 1998 Letter No. Science-Park-Listed-Company -00764 of Science Park Administration, and increase it's capital by NTD 440,000 thousand dollar.
Note4: Approval Document No. The 12 March 1998 Letter No. Science-Park-Listed-Company -05498 of Science Park Administration.
Note5:Approval Document No. The 17 July 2002 Letter No. Taiwan Finance Securities –I-0910139697 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 October 2002 Letter No. Science-Park-Listed-Company -250718 of Science Park Administration.)
Note6:Approval Document No. The 15 June 2004 Letter No. Taiwan Finance Securities –I-0930126884 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 November 2004 Letter No. Science-Park-Listed-Company -0930032881 of Science Park Administration.)
Note7:Approval Document No. The 17 June 2013 Letter No. Science-Park-Listed-Company -1020017445 of Science Park Administration.
Note8:Approval Document No. The 21 May 2013 Letter No. Science-Park-Listed-Company -1020014869 of Science Park Administration, and increase it's capital by NTD 900,000 thousand dollar.
Note9:Approval Document No. The 6 August 2013 Letter No. Science-Park-Listed-Company -1020023675 of Science Park Administration.
Note10:Approval Document No. The 9 December 2013 Letter No. Science-Park-Listed-Company -1020037416 of Science Park Administration.
Note11:Approval Document No. The 27 October 2014 Letter No. Science-Park-Listed-Company -1030031283 of Science Park Administration.
Note12:Approval Document No. The 20 July 2018 Letter No. Science-Park-Listed-Company -1070021327 of Science Park Administration.

Units: Shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	132,408,000	67,592,000	200,000,000	The stock is an TSE stock

Shelf Registration: Not applicable.

(II) Shareholder structure

Mar 27, 2020；Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Foreign institutions and foreigners	Individuals	Total
Number of Shareholders	0	4	97	23	22,511	22,635
Number of shares held	0	2,242,466	9,998,293	17,455,941	102,711,300	132,408,000
Holding Percentage (%)	0.00%	1.69%	7.55%	13.18%	77.58%	100.00%

(III) Diffusion of ownership

1. Common Shares

Mar 27, 2020；Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~ 999	7,433	190,031	0.14%
1,000~ 5,000	12,322	24,649,180	18.62%
5,001~ 10,000	1,562	12,344,186	9.32%
10,001~ 15,000	444	5,777,076	4.36%
15,001~ 20,000	244	4,512,446	3.41%
20,001~ 30,000	219	5,515,937	4.17%
30,001~ 40,000	102	3,643,955	2.75%
40,001~ 50,000	75	3,496,754	2.64%
50,001~ 100,000	102	7,376,163	5.57%
100,001~ 200,000	70	9,462,703	7.15%
200,001~ 400,000	30	8,802,464	6.65%
400,001~ 600,000	13	6,298,053	4.76%
600,001~ 800,000	3	1,999,023	1.51%
800,001~1,000,000	2	1,780,000	1.34%
1,000,001and above	14	36,560,029	27.61%
total	22,635	132,408,000	100.00%

2. Preferred Shares: None.

(IV) Major Shareholders (top ten shareholders)

Mar 27, 2020；Unit: Person; Share; %

Shares / Name of Major Shareholders	Number of shares held	Percentage (%)
Applied Materials，INC	15,227,273	11.50%
Sin An Development Co., Ltd.	3,275,535	2.47%
Cheng Wen Cheng	2,517,157	1.90%
TransGlobe Life Insurance Inc.	1,858,000	1.40%
Min Ho Shuen Investments Inc	1,817,520	1.37%
An Grace Investment Corporation Ltd.	1,489,525	1.13%
Chang Yaw Zen	1,487,581	1.12%
Chang Yao-Sheng	1,487,579	1.12%
Lin Kwo Feng	1,435,569	1.08%
Ting Pai Tsung	1,331,000	1.01%

(1) Major shareholders of corporate shareholders

Mar 27, 2020

corporate shareholders	Major shareholders of corporate shareholders
Applied Materials，INC	The Vanguard Group(6.7%) BlackRock, Inc. (6.3%)
Sin An Development Co., Ltd.	JIANG,SHU-JUAN (0.05%)
TransGlobe Life Insurance Inc.	China Weiyi Co., Ltd. (100%)
Min Ho Shuen Investments Inc	CHANG TSENG,PI-YUEH (48.53%)、Chang Yaw Zen (25.91%)、Chang Yao-Sheng (24.44%)
An Grace Investment Corporation Ltd.	Samuel chow(59.17%)、YANG,CHIU-HUI (34.17%)、CHOU,HSUN-SHEN (6.66%)

(2) The main shareholder is a legal person and its main shareholder

Mar 27, 2020

corporate shareholders	Major shareholders of corporate shareholders
China Weiyi Co., Ltd.	LIN,WEN-HUI (25.75%) Peng Teng Te (25.75%)

(Ⅴ) Fair market value, net worth, profit, dividend per share and other relevant information for the most recent two fiscal years:

Unit: NT$ thousand, shares

Item			2018	2019	Current Year till March 31, 2020
Market price per share	Maximum		52.00	89.10	76.00
	Minimum		26.20	36.10	35.95
	Average		36.80	58.13	60.96
Net worth per share	Before distribution		16.53	18.41	-
	After distribution		14.93	(Note)	-
Earnings per share	Weighted average shares		124,469	132,408	-
	Earnings per share		1.87	2.51	-
Dividend per share	Cash dividends		1.60	2.00(Note)	-
	Issuance of stock dividends	Distribution from earnings	-	-	
		Distribution from capital reserve	-	-	
	Accumulated unpaid dividends		-	-	-
Return on investment Analysis	Price-to-earning (P/E) ratio		19.68	23.16	-
	Price-to-dividend (P/D) ratio		23.00	29.17	-
	Cash dividend yield		23.00	29.07	-

Note：The distribution of 2019 retained earnings not yet approved by Shareholders' Meeting.

(Ⅵ) Dividend Policy and Execution Status

1. Dividend Policy

If there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Company shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Company's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal and submit the proposal to the shareholders' meeting for resolution.

When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 % of the total dividends.

2. Proposed dividend distribution of shareholders' meeting

The proposed dividend distribution on the year 2019 as below：

Unit: NT$

Item	Amount
Unappropriated retained earnings at beginning of year	54,992,852
actuarial (loss) gain included retained earning	(3,687,338)
2019 net income after tax	332,094,701
Legal reserve	(32,840,736)
Earnings available for distribution	350,559,479
Common shares cash dividends	(264,816,000)
Unappropriated retained earnings at end of year	85,743,479

Note：The distribution of 2019 retained earnings not yet approved by Shareholders' Meeting.

(Ⅶ) Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share: Not applicable.

(Ⅷ) Employee Bonus and Directors' Remuneration:

1. Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:

   The Company makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for directors according to the profit status of the current year.

   The employee compensation could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions.
   The current year's profit situation referred to in the first item refers to the current year's pre-tax benefits minus the distribution of employee's compensation and directors' remuneration.

2. Accounting treatment for the difference between the estimated remuneration to employees, directors and supervisors and the actual amount distributed: There is no discrepancies between the estimated amount and the actual distributed amount. Therefore, additional accounting treatment is not required.

3. Information on the amount of compensation for distribution as approved by the Board of Directors:

   (1)The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed:

   The distribution of compensation as approved by the Board of Directors on February 25, 2020 are as follows:

Unit: NT$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for differenc
Employee cash dividends	77,951	77,951	0	-
Employee stock dividends	0	0	0	-
Remuneration of directors	10,393	10,393	0	-

(2)The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or standalone financial report for the current period: None.

4. The actual distributed compensation to employees and remuneration to directors and supervisors in the previous year:

Unit: NT$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for differenc
Employee cash dividends	56,001	56,001	0	-
Employee stock dividends	0	0	0	-
Remuneration of directors	7,467	7,467	0	-

On February 25, 2019, the Board resolved to appropriate compensation to employees for 2018 in the amount of NT$56,001 thousand and remuneration to directors for 2018 in the amount of NT$7,467 thousand, all distributed in cash, without any difference between the estimated amount and the actual distributed amount.

(Ⅸ) Repurchase by the Company of its own shares：None.

Ⅱ.Issuance of Corporate Bonds

(Ⅰ) Issuance of Corporate Bonds

Type of corporate bond	First issuance of unsecured convertible corporate bonds in Taiwan
Date of Issuance	November 13, 2019
Par value	NT$100,000
Place of issuance and transaction	Issued by the Republic of China; Listed on TPEx
Issuing price	Issued at 109.920% of the par value
Total issuance amount	NT$1,000,000,000
Coupon rate	0%
Term	3 years Maturity Date: November 13, 2022
Guarantee agency	None
Trustee	Fubon Securities Co., Ltd. Trust Department
Underwriting agency	Fubon Securities Co., Ltd.
Certifying attorney	Not applicable
Certified Public Accountant	Not applicable
Method of redemption	The holder of the convertible corporate bond converts the bond into ordinary shares of the Company in accordance with Article 10 of this regulation, or that the Company purchases back the bond in advance in accordance with Article 18 of this regulation , the Company will redeem the bond in a lump sum payment equals to its 100.7519% at the maturity date by cash.
Unredeemed principal	NT$1,000,000,000

Terms of redemption or prepayment		Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds
Restrictive provisions		None
Name of credit rating agency, rating date, and results of corporate bond ratings		Not applicable
Other rights	Total value of bonds already converted to common shares as of the date of publication of the annual report (April 20, 2020)	0
	Regulations for distribution and conversion (exchange or subscription)	Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds
Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks		The issuance of the unsecured convertible corporate bond is for the purpose of purchasing machinery and equipment, which has a positive effect on future EPS. Hence, there is no question of dilution of profits. In addition, the Company had taken into account its development vision and shareholders rights before formulating the issuance conditions. Therefore, there is no significant impact as to dilute equities.
Name of the commissioned custodian of exchangeable underlying object		Not applicable

(Ⅱ) Status of Corporate Bonds:

Type of corporate bond		First issuance of unsecured convertible corporate bonds in Taiwan		
Item / Year		2018	2019	The current year ends on April 20, 2020
Market price of convertible corporate bond	Maximum	-	111.25	110.25
	Minimum	-	106.80	96.90
	Average	-	110.33	104.87
Conversion price		-	76.1	
Date of issue (transaction) and conversion price at issue		-	Conversion price when issued on November 13, 2019: 76.1	
Methods for fulfilling the conversion obligation		-	Issuance of new shares	

Ⅲ. Status of Preferred Stocks: None.

Ⅳ.GDR Issuance: None

Ⅴ.Employee Stock Options: None.

Ⅵ.Status of New Shares Issuance of Limited Stocks for Employees: None.

Ⅶ.Status of New Shares Issuance in Connection with Mergers and Acquisitions: Not applicable.

Ⅷ、Financing Plans and Implementation

As of the first quarter of 2020, the Company's unsecured convertible corporate bond financing plan issued on November 13, 2019 has not yet been completed, and its progress of implementation is as follows：

Contents of Evaluation	Opinions Securities Firm
Date of Issuance	November 13, 2019
Purpose of Issuance	Purchase of machinery and equipment
Funding progress as of the first quarter of 2020	1.Funding implementation progress ☑Normal ☐Abnormal 2.Evaluation opinions (if there is a lead or a lag, reasons should be specified for the lead or lag and the improvement plan): The Company's fourth quarter of 2019 is expected to implement the progress of NT$ 0 dollar. The actual implementation progress is NT$ 72,029 thousand dollars. This is because some equipment suppliers require to place orders and to pay deposits in advance. Therefore, the actual implementation progress in the fourth quarter of 2019 is slightly ahead than expectation. After auditing the Company's accounting vouchers, purchase orders, Invoices /Government Uniform Invoices and related documents, there is no abnormality.
Evaluation of the difference between expected benefit and actual progress	1.Evaluation of the difference between expected benefit and actual progress : ☑Normal ☐Abnormal 2.Evaluation opinions: The Company's current fund-rasing plan is going to complete in the fourth quarter of 2020. Therefore, the evaluation of diffrence between the expected benefit and the actual achievement will start after completion of the plan.
Reasonability of using the unspent fund	1. Use of unspent funds : ☑Normal ☐Abnormal 2.Use: Put in the bank for time deposits and the bank saving accounts. 3. ☐Yes ☑No：Using unspent fund as pledge 4.Evaluation opinions: The Company has put the unspent funds in the bank for bank time deposits and bank demand deposits. It has considered the safety and liquidity of funds, and the use of its unused funds is reasonable. After obtaining the Company's bank deposit books and related certificates, there is no major abnormality.
Occurrence of plan changes	1.Any plan change occurred : ☐ Should change the plan ☑ Should not change the plan 2.Evaluation opinions: Nothing involved in plan changes.

V. Operational Highlights

I. Business Activities

(Ⅰ) Business Scope

1. The Company shall engage in the following business

Phoenix Silicon International (Psi) provide semiconductor wafer processing services, which includes process development, manufacturing, and sales of wafer reclaim and BGBM processes. The main applications of the end products are for fab process monitoring and consumer, industrial, and automotive electronic components. The subsidiary company, Phoenix Battery Corporation (PBC), works on the development, manufacturing, and sales of lithium battery cell and pack. The main applications are for energy storage and power battery.

2. Business proportion

Business proportion；%

Item \ Year	2018		2019	
	Net operating revenue	Proportion%	Net operating revenue	Proportion%
semiconductor wafer service	2,001,885	94.35	2,460,118	92.87
lithium ion battery	119,988	5.65	188,941	7.13
Total	2,121,873	100.00	2,649,059	100.00

3. Current Products and Service

Item	product name		Main purpose or function
semiconductor wafer service	Wafer reclaim	6”、8”、12”wafer reclaim	fab process monitoring
		8”、12”thin dummy wafer	fab process monitoring
	Wafer thinning	6”、8”wafer thinning	consumer, industrial, and automotive electronic components
		Wafer frontside and backside metal process	
		CP testing	
Lithium battery products	Energy type lithium battery Power type lithium battery	UPS and energy storage lithium battery	Provides instantaneous backup capacity for home energy storage, large energy storage systems, industrial uninterruptible power systems, and small mobile power supplies, etc.
		Energy storage lithium battery pack Power lithium battery pack	Power products, electric motorbikes and electric buses, automated unmanned vehicles (AGV), etc.

4. Future New Products and Services

(1) Removal of copper contamination inside silicon wafer

(2) Grinding, polishing and cleaning processes for infrared wafers.

(3) Grinding, polishing and cleaning processes for high-power application wafers (GaN, SiC, etc.).

(4) 1.5 mil ultra-thin wafer

(5) Biochip sensing platform, implantable biomedical electronic equipment

(6) Patterning process of precious metals, optical films, and black photoresist metals

(7) Micro Optics component process development

(8) Si-c anode material development

(9) <-30℃ cell capability development

(10) Carbon nanotube batteries development

(11) 2c charge/discharge LFP batteries development

(12) Supercapacitor development

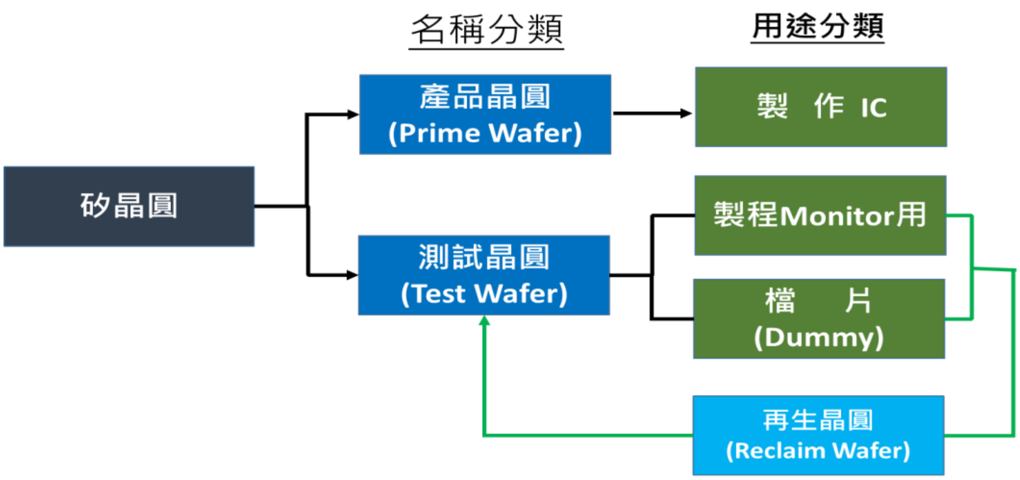
(II) Industry Overview

1. Industrial Current Status and Future Development

Psi is in semiconductor industry and the main services are wafer reclaim and wafer thing processing services. PBC belongs to lithium battery industry and the main products are for energy storage and power battery applications. The brief introduction of the three sectors are list as follow;

(1) Wafer Reclaim Service

Silicon wafer can be categorized by size or application. From wafer size point of view, 12" silicon wafer is already the mainstream product. From application point of view, silicon wafer can be categorized into two type, prime wafer and test wafer (shown as the figure below)



【Source:Psi】

Two type of test wafers (monitor wafer and dummy wafer) are used in semiconductor processing for process monitoring. Psi provides wafer reclaim service allow these wafers back to fabs as test wafer. According to SEMI survey, global reclaim wafer market reach 608 Million US dollars in 2018 and 12" reclaim service account for 75.8%. The market will grow to 653 Million US dollars in 2021 per SEMI forecast.

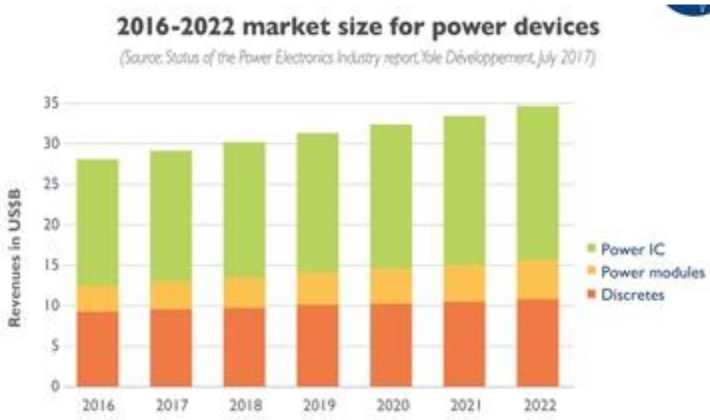
The growth of wafer reclaim market is closely related to wafer start and utilization of fabs. Taiwan is the major manufacturing site of global semiconductor industry having many the most competitive 12” fabs. According to SEMI report, the semiconductor manufacturing capacity of Taiwan exceeded that of Japan in 2018 and became the largest manufacturing center among the worlds. Based on IEK report, worldwide semiconductor market decline 13.3% in 2019 while Taiwan outperform the market and shown 0.1% growth. Taiwan is the leader in the foundry area. With the strong demand of the advanced technology node, the needs of wafer reclaim service grow simultaneously.

(2) Wafer thinning service

Wafer thinning service is characterized as the middle end of the semiconductor process. This sector includes new technologies like Wafer bumping, and WLP (ex. Fan out WLP、WLCSP、3D WLP、WL optics). Processes such as lithography, wafer thinning, wafer grinding, and back metallization are used in the sector. In the more than 500 billion US dollars IC value chain, front-end (including IC design and fab manufacturing) takes about 90%, back-end is around 9%, and middle end accounts for more than 1%. Due to the consumer electronic market growth and windows system upgrade induced computer system upgrade demand, power management IC and discrete component demand increase extensively. The needs for middle end processing are also increase alone with this demand. Beside IDM companies like NXP, Nexperia, Ampleon, Infineon, TI, and On-semi release business to OEM, most of design houses are in Taiwan and China, discrete component fab and foundry in Taiwan and China growth extensively. This market segment is estimated to reach 36.9 billion US dollars in 2020. Most of these products require backside grinding and backside metallization, and therefore bring in many middle end processing service demands.

Power semiconductor components are the critical parts to power conversion and control. The appropriate power semiconductor components not only increase production efficiency, product quality and performance, but also save energy and reduce raw material consumption. For the growing energy market, power semiconductor components can enhance the energy efficiency of the electronic power supply. Especially for the renewable energy applications, power semiconductor components help to reduce the loss during power transmission, hence improve the energy efficiency. With the global trend and policy for energy saving and carbon reduction, the demand of power semiconductor components grows accordingly. Based on Yano Research Institute report, the main market for power semiconductor components are home appliances, next generation vehicle (EV, hybrid car), new energy, and industrial applications. The market will reach 29.5 billion US dollars in 2020.

Unit: US $ billion



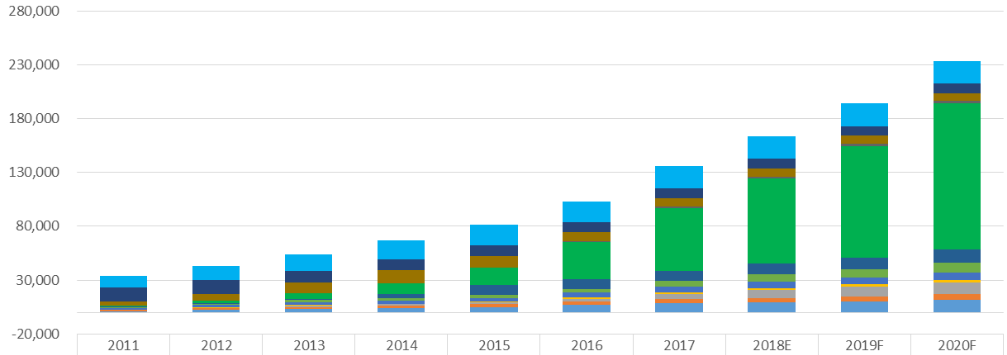
【Source:Yole Developpement 】

(3)Lithium battery industry

At present, secondary batteries on the market can be divided into four categories, namely nickel-cadmium batteries, nickel-metal hydride batteries, lithium ion batteries (hereinafter referred to as lithium batteries) and lead storage batteries. Since the development of secondary batteries, lead-acid batteries have occupied the highest market share for many years because of their low temperature performance, high safety, and low price. The disadvantages are short life, excessive size and weight, and severe environmental impact. Lead-acid batteries are widely used in automotive start-up, communications, power batteries, energy storage batteries, etc.; lithium batteries are still concentrated in the high-value 3C industry for many years. The cost of the main cathode materials is relatively high, and due to insufficient safety, they have stopped applying in the market of larger energy storage and power battery market. This situation has changed in recent years due to the technical improvement of NCM batteries, and the discovery of a more stable positive electrode material lithium iron phosphate, etc., so that the use of lithium batteries in the power battery market has new breakthrough. In the future, as the price of lithium-ion batteries continues to decline, the application field will be more extensive, and large-scale energy storage applications will gradually be realized.

【Global lithium battery market size】

Unit: 100 million yen: MWh/yr



	2011	2012	2013	2014	2015	2016	2017	2018E	2019F	2020F
Cellphone	10,466	12,727	15,898	17,551	18,871	19,174	20,842	21,057	21,020	20,800
NB	13,266	13,270	10,157	10,151	9,655	9,191	9,114	9,056	8,958	8,901
Tablet	3,428	6,030	9,837	11,964	10,982	8,284	7,650	7,557	7,382	7,009
Wearable			32	77	181	643	1,304	1,818	2,317	2,828
EV	955	2,309	5,620	10,250	16,167	34,532	58,883	78,339	103,379	135,424
E-Bus/Truck	489	533	1,056	3,851	8,854	9,298	9,004	10,607	11,155	11,932
E-Pedelec/Bike /Scooter	795	1,096	1,828	2,347	3,050	3,555	4,888	6,698	7,764	9,124
Other Vehicle	1,658	2,309	2,623	2,582	3,406	4,611	5,322	5,982	6,174	7,046
UPS/Station	179	191	376	399	602	1,196	1,774	1,921	1,988	2,324
BESS	204	677	1,867	1,650	1,852	2,480	5,006	7,449	9,004	11,055
Power tool	1,306	1,352	1,610	2,178	2,744	3,016	3,817	4,112	4,805	5,157
others	1,052	2,374	3,205	3,850	4,872	7,072	8,384	9,051	10,146	11,755

【Source:IEK Consulting 2018/11】

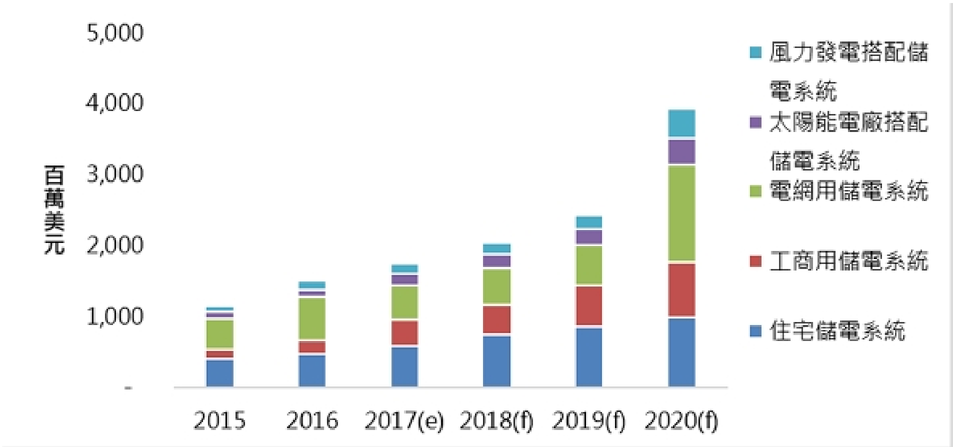
Our company's lithium batteries are mainly for energy storage and power use. The application of energy storage devices in the power system is divided into power system electricity (generation, transmission and distribution) and consumer electricity. In recent years, due to the rapid growth of electricity introduced by renewable energy and the substantial growth of device capacity, the key to development is to overcome the unstable energy storage system of renewable energy. Its combination with the uninterruptible power system ensures that the electricity is uninterrupted in the case of abnormal power grids. The load equipment provides backup AC power to maintain the normal operation of electrical equipment, so that the power generation capacity of renewable energy can be stabilized, and then the construction of a new generation power network is perfected.

The development of residential and non-residential markets for energy storage batteries depends on the policies of the governments on renewable energy, such as the electricity purchase system, and the difference in the pricing of electricity from the peak.

Existing energy storage technologies are mostly used with various types of batteries. In small and medium-sized energy storage applications, lead-acid batteries and lithium iron phosphate batteries are the main technologies. However, lithium iron phosphate batteries have the advantages, such as large energy density, long service life and no environmental pollution. Moreover, benefiting from the gradual decline in costs, good use cases continue to grow, energy storage will be an important potential market for lithium iron phosphate batteries in the future.

According to IEK data, lithium iron phosphate batteries are expected to surpass lead-acid batteries in 2017 and will replace lead-acid batteries gradually year by year.

【Global Trends in Stationary Battery Storage Systems】



【Source: IEK collation (2018/10)】

In addition, for the application of power batteries, with the rapid growth of global battery electric vehicle production, the lithium battery application market shipments have exceeded the expected range due to the growth of shipments of electric vehicles and electric buses, mainly due to the promotion strategy of new energy vehicles in mainland China. Under the promotion strategy of new energy vehicles in mainland China, a large number of subsidies for car purchases were provided, which stimulated the growth of electric vehicle and related power battery shipments by more than three times, and stimulated the global lithium battery application market shipments to grow from previous years. According to the Industrial Research Institute industrial report, in 2018, the application of power lithium batteries benefited from the rapid development of new energy vehicles rose to 58%. It is expected that power lithium batteries will account for 67% of lithium battery applications in 2020.

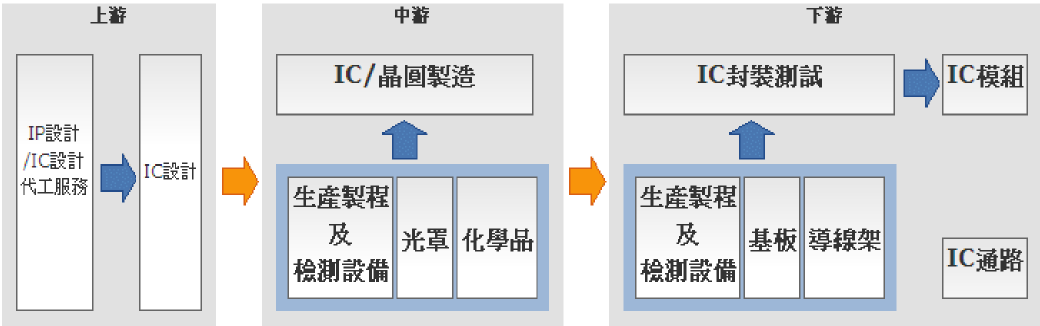
In addition to lithium batteries, our company also uses existing production equipment to develop super capacitor and lithium capacitor products, and plans to use it in domestic and international rail industries. It is estimated that with the promotion of domestic light rail, the prospect of this super capacitor and lithium capacitor is promising.

2.Relationship with Front-, Middle- and Back-end Companies

(1) Semiconductor Supply Chain

IC manufacturing process starts form IC design, fab processing, assembly, to testing. The designed circuit is transferred and duplicated to wafer through lithography process. After the whole process, CP test is applied to identify good/bad dies. Good dies are picked up from the diced wafer for further assembly and final test. Most of the major international companies covered from design, manufacturing, assembly, test, and even to system assembly, which is the so-called IDM (Integrated Device Manufacturer) business model. Most of the

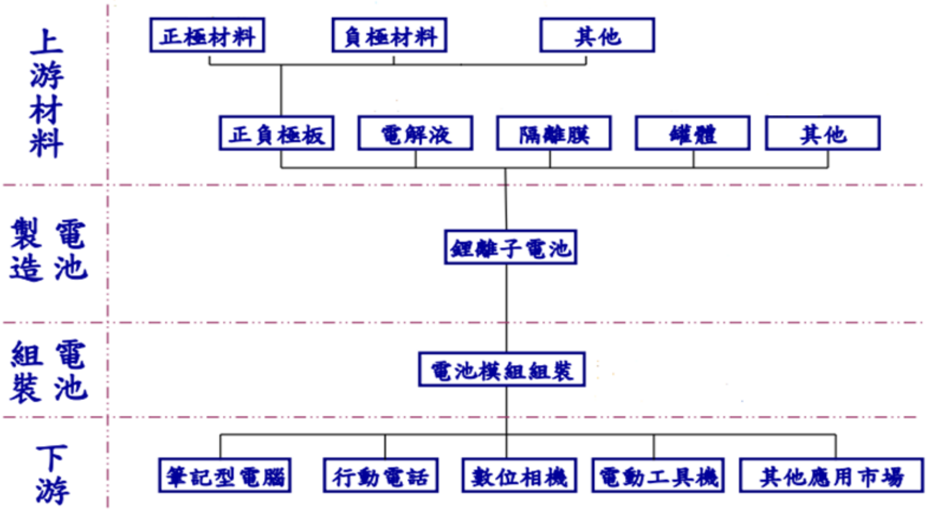
Taiwan companies applied the model of vertical division of work and focused on different segments in the supply chain. They are the IC design in the front end, Mask and IC manufacturing in the middle end, and assembly and testing in the back end. The major businesses of Psi are wafer reclaim and wafer thinning services. Wafer reclaim service applied stripping, polishing, and cleaning processes to restore the wafer conditions for use as monitor wafer again. Wafer thinning service thin down the device wafer to the target thickness, deposit front and back side metal per customer demand, and apply CP test. Our services are part of the IC manufacturing process, which belongs to the middle end of the supply chain. A brief semiconductor supply chain is illustrated as the figure below.



【Source:OTC，Introduction to Semiconductor Industry Chain】

(2) Lithium battery industry supply chain

The battery module is composed of three components, which are the cell, pack and BMS. The upstream of battery manufacturing is mainly raw material manufacturers, including positive and negative electrode materials, electrolytes, separators and cans suppliers. The middle stream can be divided into cell manufacturing and module assembly. A battery module assembly manufacturer, which assembles battery packs and a circuit board designed by the manufacturer to form a battery module. The subsidiary company is in the middle stream of the industry working on battery cell manufacturing and battery module assembly. The lithium battery industry supply chain is illustrated as the figure below：

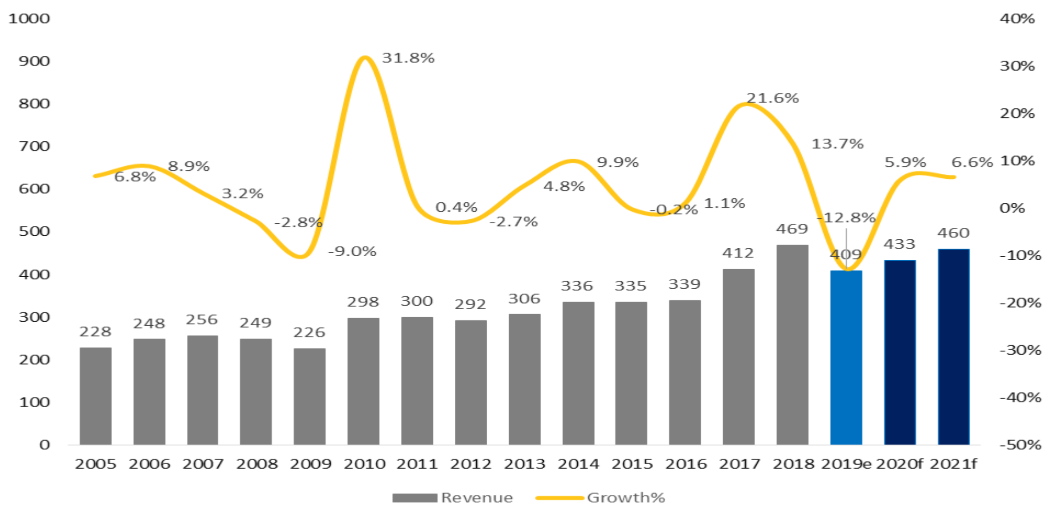


【Source:ITRI/IEK】

3. Product Development Trends

(1) Wafer Reclaim Service

Taiwan is the most competitive semiconductor manufacturing center with the highest density of 300mm fab worldwide. Following the growing demand of advanced technology node, Taiwan manufacturers, including tsmc, Micron, UMC, PSMC, NTC, MXIC, and Winbond, keep invest in 300mm capacities and capabilities. Hugh amount of test wafers are needed for these development and expansions. Reclaim wafer offers cost advantage compare to new test wafer. While the cleanliness performance is improved to match customer requirement, 300mm reclaim wafer replace most of the new test wafer applications. The demand of 300mm reclaim wafer grows follow the path of Taiwan semiconductor market growth.



【Source: WSTS, DEC. 2019】

(2) Wafer Thinning Service

ICs are kept shrinking to meet the modern 3C products requirement of small form factor and high power efficiency. However, under the physical constraint, the planar shrink of transistor become difficult. Thin down the wafer thickness is beneficially on this aspect. For example, thinner wafer can help to reduce the TSV size and result in space saving. Therefore, the chip size can be further shrunk. Reduce the wafer thickness can also reduce the final thickness of the packaged IC. Nowadays, the required device wafer thickness is driven from 260um to 50um (2 mil). On the other hand, handling of thin wafer is very critical. To avoid the risk of broken during transportation between multiple sites, a total solution provider who can provide full line of the middle end processes is preferred by the customers. Therefore, the middle end process providers are aggressively extending their service range from front side and back side metallization, to CP test.

Based on more than 20 years' experience on wafer reclaim service, Psi is knowledgeable on wafer thinning and chemical etching processing. After introducing e-beam evaporator, Psi set up the full BGBM production line and provide the service to SBR(Schottky Barrier Diode), TMBS(Trench MOS Barrier Schottky), Power Driver IC, and other devices. Psi also set up front side metallization and CP test production line. With full range of processing service, Psi is a total solution provider in middle end of semiconductor supply chain.

(3) Lithium battery products

Since EU approved the WEEE and RoHS directives in November 2002, lithium batteries are been evaluated to replace nickel-cadmium batteries and lead-acid batteries. Lithium battery possesses the advantage of higher lifetime (more than 2000 cycles), 30C large current discharge capacity, fast charging capacity, high conversion efficiency (up to 95%), smaller form factor, and low risk of burning and explosion. It is favored by power and storage markets like EV, power tools, renewable energy.

Lithium batteries are applied for different applications globally in recent years. The applications including solar photovoltaic generation systems, smart grid, hybrid car, electric bicycle, mobility scooter and wheelchair, power tool, and solar LED streetlights. Smart grid and UPS are the high-profile applications among them. Japan is promoting the concepts of solar power system for home and smart home. With the price reduction of lithium batteries and subsidies for installation of HEMS system, the influence of lithium batteries in the energy storage market grows year by year

4. Competition Status

(1)Comparison of products of main competitors of the products of the company and its Competition

A. Wafer regeneration

Company	Country	Product dimension	Main Product	Strength / Weekness
Scientech Corporation	Taiwan	12 inch	Wet bench、reclaim wafer	Psi keep improving process capability and having cost advantage
Kinik Company	Taiwan	8 &12 inch	Grinding wheel, Precision tool, reclaim wafer	

B. wafer thinning

Company	Country	Product dimension	Main Product	Strength / Weekness
Chipbond Technology Corporation	Taiwan	6 &8 inch	Chip Scale Package	Provide customers with more flexible process services
Micro Metal Electronics Co.,Ltd	Taiwan	6 &8 inch	wafer thinning	Company has the technology and experience of mass production below 2mil
Mosel Vitelic Inc.	Taiwan	6 inch	Foundry、wafer thinning	
TPEx Listed Company	Taiwan	8 inch	afer thinning	
AVIC (Chongqing) Microelectronics Co., Ltd.	China	8 inch	Foundry、wafer thinning	
PacTech Corp.	Malaysia	8 inch	Foundry、wafer thinning	a.Company has the technology and experience of mass production below 2mil b.Company has complete Taiwan semiconductor industry chain support

C. Comparison of lithium battery products by major competitors

Company name	Country (Region)	Product size	Main products	Comparison with our
C-LiFe Technologies, Inc.	Taiwan	40138 and prismatic	lithium iron phosphate batteries	a. Our company's 40138 battery cell has a large capacity and competitive advantage (same volume, more energy) b. The round cell has better physical characteristics, high temperature stability, high safety and long life

(2) Potential Competition

A. Wafer Reclaim Service

Since most of the Japanese semiconductor companies are out of the technology competition, Japanese reclaim wafer suppliers like RS tech and Hamada are approaching to Taiwan and China market. With continuous process and quality improvement, Psi provide high level performance and good COO service to the customers. Psi is the major supplier for local customers and provide high grade products for the advanced technology nodes. Based on the performance and cost advantage, Psi is the good choice among the competitors.

B. Wafer Thinning Service

Fabs are the potential new competitors for middle end processing service. In fact, VIS, CR Micro, Hua Hong, UMC, and PSMC are working on 200mm BGBM process. To be competitiveness among these potential new players, Psi keep driving to thinner thickness, better quality and yield.

C. Lithium battery products

China has many products of the same type, with inferior quality and destructive prices, which poses a huge threat to Taiwanese lithium battery manufacturers. The packaging styles of lithium iron batteries are all related to the application. There is no uniform or mainstream battery pack specifications and models, which has caused various types and companies to exist in competition. However, our company continues to develop battery cells and battery packs with competitive price / performance ratios in the fields of energy storage systems and electric buses.

(Ⅲ) Technology and R&D Overview

1. R&D expenses for the year 2019 and up to the issuance date of this annual report

Unit: NT$ thousand

Item/Year	2019	2020 up to the previous quarter (March 31, 2020)
R&D expenses	152,054	42,615
Operating revenue	2,649,059	626,533
R&D expenses of operating revenue (%)	5.74	6.80

2. Newly Developed Technology and Products in Recent Years

Year	Product Category	R & D results	Benefits
2019	Wafer reclaim foundry service	Pre-screening of silicon wafers for bulk defects	Screen of silicon wafers with bulk defects in advance and convert to appropriate specifications to improve silicon wafer utilization
	Lithium battery products	Start-stop battery development	Start-stop battery application for special battery development
		Battery cell type 40155 and 40138 use advanced materials	Increase battery capacity
2020	Wafer reclaim foundry service	Pre-screening of silicon wafers for bulk defects	Screen of silicon wafers with bulk defects in advance and convert to appropriate specifications to improve silicon wafer utilization
		32 、 26nm reclaim wafer product development	Provide high-standard products to reduce customer production costs
	Mid-end process foundry services	Optical bandpass IR 550/580 optical filter development	Provide one-stop service for optical coating of distance sensors and ambient light sensors
		Manufacturing method of wide-field optical lens	Reduce the thickness of optical components and simplify the packaging process
		Mass production method of electrode of electrochemical biosensor	Import biosensor production process
	Lithium battery products	EDLC super capacitor	Introduce to rail trains and hybrid energy storage
		LIC lithium capacitor	Light rail train

(IV) Long-term and Short-term Development

1. Short-term Development

(1) Marketing Strategy

A. Fulfill Customer satisfactory, continuous quality and yield improvement, stable and short lead time, and quick response to customer complaint are Psi's commitment to the customers.

B. Provide alternative solutions for various customer demands.

(2) Production Strategy

A. Fully utilize capacity and improve yield to shorten cycle time. Strengthen Psi's core competency to provide value added products to customers.

B. Implement quality management system and provide high quality standard products to the customers.

(3) Developmet Strategy

A. The company's research and development spirit focuses on the "higher value-added development" of existing products, so that products can increase added value through innovation, create higher profits, and lay a leading advantage in the market.

B. In line with market strategies, establish charge and discharge management mechanisms for mainframes and battery packs and online detection and warning communication interfaces with major UPS system manufacturers, so that products can increase added value through innovation, create higher profits, and lay in the market leadership advantage.

2. Long-term Development

(1) Marketing Strategy

A. Strength international service capability and aggressively develop worldwide business.

B. Introduce new processes and tools through the cooperation with existing customers. Promote the processes and tools to 1st tire customers to set up technology and marketing barrier.

(2) Production Strategy

Establish long-term partnerships with domestic and foreign fabs, customers and agents, stabilize wafer source quality and sales channels, actively promote various quality certifications ATF16949 and IOS13485, comprehensively improve quality and quantity, and aim to become a world-scale factory.

(3) Developmet Strategy

A. Cooperate with the improvement of production process, create more core technologies, develop towards high value-added products, and continue to develop related technologies.

B. Cooperate with domestic and foreign academic research institutions or fabs to obtain key technologies to enhance product levels and accelerate product development.

C. In accordance with the specifications of energy storage systems in different industries, establish energy storage systems that meet the standards of the industry, and meet customer needs to complete product safety certifications such as UL1973 (Safety Specification for Energy Storage Systems), SBA0101 (Safety Specification for Start-stop Battery) and UN38. 3 (Lithium battery safety regulations) to raise the competition threshold of products.

D. Seek cooperation with academic research institutions at home and abroad to obtain the key technologies of grid-level energy storage systems and energy management (EMS), in order to establish practical experience and hope to obtain market opportunities in the green energy and renewable energy markets.

Ⅱ.Markets and Sales Overview

(Ⅰ) Market analysis

1. Sales regions

Unit: NT$ thousand；%

Area \ Year		Amount		%	
		Amount	%	Amount	%
Domestic sales		1,809,569	85.28%	2,241,358	84.61
Export	Asia	228,467	10.77%	300,765	11.35
	Europe	48,076	2.27%	81,471	3.08
	Americas	35,761	1.68%	25,465	0.96
	Sub-total	312,304	14.72%	407,701	15.39
Total		2,121,873	100.00%	2,649,059	100.00

2. Market share

Psi and our subsidiaries provide wafer reclaim, wafer thinning process services, and professional manufacturers of lithium iron cells and battery packs, and have worked in the industry for many years.

For the Taiwan market, since wafer reclaim focuses on regional services, and the current mainstream silicon wafer market products are 12-inch wafers, 12-inch wafers are equivalent to production capacity, and Taiwan ’s main 12-inch wafers are reclaim OEM suppliers KINIK Company Co., Ltd, Scientech Corporation, RS Technologies Co Ltd and our company's production capacity calculations, the monthly output in the second half of 2019 is about 600,000 pieces, and the company's monthly output is about 240,000 pieces. Market share is about 40% in Taiwan.

Wafer thinning foundry services are mainly used in semiconductor power devices. According to the research data from Yole Développement research institute, the semiconductor power devices market in 2018 was 20.7 billion US dollars. Based on 1,000 US dollars per piece, the global market needs about 20,700 thousand pieces in 2018. Psi's annual production in 2019 is 700 thousand pieces, and the global market share is about 2.95%. With the trend of the semiconductor industry, big is always Evergrande, the performance of Psi is expected to grow with the growth of customers in the future.

The main application of the lithium battery products of the Psi’s subsidiaries is the lithium battery uninterruptible power system. According to IEK estimates, the battery capacity of the global uninterruptible power system is 1,955MWh, and the subsidiary ’s 2019 sales account for 0.22% of the global market ; Lithium batteries will gradually replace lead-acid batteries in the future, with room for growth.

3. Supply and demand status and growth in the future market

(1) Wafer Reclaim Foundry Service

Wafer reclaim foundry services are focus on regional services. Customers are mainly domestic wafer foundry industry. As wafer size increases, the product cleanliness requirements are increased. The machine equipment capital expenditures would be higher that will let this field to be high barrier to entry. Except Japan semiconductor industry has become a major competitor for new market entry due to industrial transformation and foundry reclaim services. The barriers to entry created by industry characteristics make it difficult for competitors to enter. Taiwan ’s wafer reclaim industry forms an oligopolistic market.

According to a survey by the International Semiconductor Equipment Materials Industry Association (SEMI), the global wafer reclaim market will reach USD 653 million in 2021. Taiwan's large-scale professional IC foundries lead the way in advanced processes below 7 nanometers and continue to expand advanced process capacity. Looking forward to the strong market and customer demand in the future, capital will be planned in a timely manner to meet the quality and quantity needs of customers.

(2) Wafer Thinning Foundry Service

The global market of power semiconductors will be dominated by the demand for home appliances, next-generation vehicles (electric vehicles, hybrid energy vehicles), new energy industry machines, factory equipment, etc., and the trend of product demand for thinning processes is increasing. As international semiconductor IDM companies outsource their manufacturing processes, a new mid-tier process market has emerged. Most wafer thinning foundry service providers in the market are wafer foundries, which all have thinning technology. The wafer thinning foundry process needs flexiblity, standardized and mass-produced fabs will be higher technology gap.

According to the latest research report of IC Insights, the GAGR of Analog ICs (integrated circuits) from 2017 to 2022 is 6.6% in global. Under the demand for energy saving and miniaturization, and highly demanded for mobile phones /portable electronic products (called mobility product). The elimination rate of electronic products is increasing year by year, which has recently driven the development and market demand for high-performance new products.Because the rise of medical / health electronic devices and the increasing penetration of LED (Light Emitting Diode) lighting systems, and green energy management systems (including lighting, temperature, and security) will be used in smart homes, smart building and smart cities can maintain strong growth momentum.Psi is continuing to strive more power device customers and strengthen approach with discrete device customers in order to get rid of the crowding-out effect caused by the fab's strategic integrated foundry, Psi also actively promotes thinning technology as the core, and expands its service scope to various types Semiconductor devices, which will be the focus of the layout and this is very beneficial for the operation of product wafer thinning foundry.

(3) Lithium battery products

There are many competitors of lithium battery products in China. Due to the large production capacity and low quality, and destructive price, which poses a huge threat to the lithium battery manufacturers in Taiwan. Taiwanese cathode material manufacturers have entered the competition for lithium battery cells and lithium battery modules. PBC, the subsidiary of our company, will provide customers with good power and energy storage solutions based on the advantages, such as high battery cell energy density, flexible manufacturing capacity and customization.

With regard to the future market scale, China's new energy research institute-True Lithium Research and China Battery Net have lowered their expectations on the basis of last year's expectations. The global lithium-ion battery market size is expected to exceed 200 million kWh in 2020, and the compound annual growth rate for the second decade of the 21st century will be close to 25%.At the same time, the lead-acid battery market size is expected to decline to around 270 million kWh in 2010 around 2020. Confidence comes with mastery. In addition, governments in Europe, North America, China and other countries and regions have implemented strict regulations on carbon emissions, which has also promoted the market.

The rapid development of battery technology is driving the advent of high-efficiency products. Currently, the demand for applications in electric vehicles (EV), hybrid electric vehicles (HEV), renewable energy, energy storage, medical, and military will have a leap in the future.

4. Competitive Advantage

(1) High production technology content

There are professional technical personnel and continuous improvement of professional technology, providing semiconductor manufacturers with a high degree of technical service in our company. The performance of removal, flatness and cleaness that can be achieved the strickly quality requirement of customers. Not only satisfied the quality and capacity, but also provide the cost reduction solution to customers. In the process, the wafer thinning technology and high yield rate, 8-inch equivalent production volume of more than 5.9 million pieces.

In addition to mastering the core battery development and manufacturing capabilities, our subsidiaries can also independently design and manufacture lithium iron battery packs according to customer needs specifications and applications. The battery management system (BMS: Battery Management System) is also designed and developed by themselves, can cooperate with the design of customized institutions and the installation and verification of customized battery systems.

(2)Most customers are international semiconductor manufacturers and enhance our market competitiveness

Because Psi located in the high density 12-inch Semiconductor wafer foundries, that let us become highly competitive manufacturing center and to be very closely semiconductor supply chain and certificated our process ability by end customers. We always keep long term relationship with customers, not only sales but also manufacuting members to achieve customers requirement aggresivly. Our R&D members also research the technical for the application of new products in advance, to establish a new type of supply chain and value chain services for customers. Committed to improving product yield and reducing unnecessary costs, successfully surpassing the advantages of foreign competitors in delivery, flexibility and cost, won the recognition of internationally renowned semiconductor customers, and awarded the outstanding supplier award, the technical ability won the international The factory is definitely one of the advantages of Psi's future market competition.

(3) Multiple patent

In addition to continuously improving process capabilities and establishing new product applications, the company has also continued to deploy micro-electromechanical mid-range processes and battery niche patents. It has successively obtained multiple invention patents and new type patents, and many invention patents are pending application for approval. The patents will be the key to differentiate and differentiate our company from competitors.

(4) Automation Production Line

In addition to process technology, the company has introduced a one-stop fully automated production line. In addition to maintaining the original high-quality production, it can further improve production efficiency and reduce labor costs. Under mass production, customers will have much more competitive price and contributes to business expending.

(5) The user experience of lithium battery products continues to increase

Our company's subsidiary, PBC, has been working on R & D and manufacturing of energy storage lithium batteries for many years. In addition, most of the products are sold to the European, American and Japanese markets. They have successfully entered the fields of UPS backup, green energy storage systems, electric buses, mobile communication base stations and other niche-type electric vehicles markets. The sales network and layout have been strengthened.

5. Advantages & disadvantages of development prospects and countermeasures

(1) Favorable factors

A. The domestic semiconductor professional division is complete

Taiwan's semiconductor industry specializes with complete upstream and downstream industry chains that can divide and co-work perfectional. For dividing and co-work perfectionally, the effect of industrial cluster is remarkable. The advantages such as the improvement of peripheral support industry, and the wafer foundry, packaging and testing plant are economic scale with perfect manufacturing abilities and high flexibilities. World grade service with quality and high responsibilities, that can provide high quality and competitive international product. This is merit for future development.

B. The future growth of the product industry and the end application market will continue to grow

The application of end products with Psi’s process service suhc as comsumer electronics product, smart car,The product terminals the company serves are used in consumer electronics product, smart cars, the Internet of Things and other products, IoT (Internat of Things) etc. The main consumer electronics product is mobile phone. Even the demand and growth of mobile phone market is slow, still high demand in the market. Moreover, the mobility product requests light, thin, short, small and low power consumption. Therefore, more and more specialize process of wafer & sensors are required. Smart cars will replace traditional cars as mainstream and the key to the achievement of smart car must rely on the wide application of sensors. It is expected that in the future, Psi will provide a wider range of applications for process services, and demand will continue to grow.

C. Lithium battery market has high growth potential

The issues of electric energy storage and air pollution environmental protection are strongly led by the government. Many countries have announced the schedule of bans on gasoline and diesel vehicles. In the future, lithium battery vehicles will become mainstream products in the market. Our company and its subsidiary, PBC, have cooperated with Japanese automakers to develop battery packs for light-duty electric tricycles, which are currently in mass production and shipment. The auto company also cooperated with the leasing company to introduce government bids in an attempt to expand the sales market. In Taiwan, affected by the tight supply of electricity and the government's recent promotion of green energy policies, the technology industry is also actively purchasing UPS for factory systems. The domestic lithium battery market is also seeing dawn. With the good performance of technology manufacturers, product applications are gradually accepted by domestic and foreign customers, and the proportion of market use will continue to grow in the future.

D. Most of the customers are internationally renowned large factories

Psi’s main customers are global famus semiconductor makers, according to achieve the certification of ISO9001 & IEQC for our quality assurance. In the meantime, we can support customers to establish relative product information and technical supporting on time. Moreover, Psi & customers keep continue to co-develop with new product application, such as new material’s discovery, wafer frontside metallization, electro-plating, Wafer chip probing and test and die saw, etc. To create new type supply chain and valuable chain services for customers. As to such co-work with customers, we get the best supply awards from customers. Expects ongoing close cooperation with customers, we can get stable and growth sales.

(2) Adverse factors and countermeasures

A. Rapid market changes, short life cycle of end-application products and fierce competition.

Semiconductor technology is changing rapidly, product features and specifications continue to be new. Rapid changes in market demand, prompting the company's semiconductor medium-process industry to be at any time to advance in research and development and process technology. With upstream design manufacturers and wafer foundry to develop new products process applications, and to achieve in line with the product to be light, thin, short, small trend.

Countermeasure:

Responding to the changing market of the semiconductor industry and its technology, our company’s competitive for the continuous development of advanced processes and new technologies. Strengthen cooperation with major customers, and integrate upstream and downstream industrial technology, provide customers with high value-added contract services, support the international first-line large factory customers to seize the market.

With the automotive eletronics, IoT and artificial intelligence and other markets gradually fermentation, main customers of Psi have been in various types of products. To reduce the operational risk of reduced market demand of mature products. In the future, we continue to cooperate with international large factory customers with our capable process fow, it will enable the application of contract services to be more extensive in response to rapid market changes and competition among the industry.

B. Risk of brain drain in research and development

Because the semiconductor develop rapidly, it increase the R&D manpower not only overseas but domestic semiconductor companies. That is the reason why the R&D manpower always shortage. Therefore, the senior & experience R&D will be head hounting always. That is the R&D loss main reason.

Countermeasure:

Through the technical heritage of semior technical personal, experiece sharing, case studies and in-house education and on job training, etc. Create a technician-cultivating mechanism, to reduce the impact of personnel movements, while actively recruiting outstanding talent, and then build a strong research and development team. In addition, to provide a good working environment and establish an institutionalized employee benefit reward system, to enhance the strength of the workforce. For the R&D personnel are required to sign a confidential contract, and for the technology developed to do appropriate information preservation. In order to prevent the movement of research and development personnel caused by the company's technology can not be continued and the risk of technology outflow. Psi already IPO since 2018/Jul.

By raising the company's visibility, attracting talented people, and sharing the company's operating results with employees through the issuance of employee warrants, restricting new employee rights and employee remuneration, etc., to enhance employees' aspirations.

C. Companies with wafer production experience join the competitive contract services market

Our company's emerging Mid-End industry is the focus of the semiconductor upstream and downstream industrial chain. Because these emerging technologies are part of the industry supply chain, it easily to make gray zone. Semiconductor manufacturers in the previous and second segments want to enter the middle process, The back-end sealing manufacturer and the printed circuit carrier are also potential competitors in the new embedded components and the interposer market.

Countermeasure:

The Company's customers for the world's well-known semiconductor Total Solution manufacturers, through joint development orders with customers, establish a tacit understanding of cooperation, and understand the end market demand to adjust process technology in advance.Psi also with the world's well-known fab foundry, solid order source, and master the terminal demand, leading the introduction of high-quality power components, the establishment of market benchmark image. The company has accumulated multi-year experience and provides Total Turnkey Solution, which will strengthen customer relationships and assist customers in solving process and technology issues in the future.

D. The battery output has not reached the economic scale, and the output and cost are less competitive

PBC, the subsidiary of our company, is limited by the scale of production capacity and can only focus on the production of specific applications or specific products. Because the scale of production capacity cannot compete with large international manufacturers, the production cost is high when the scale of orders is small. Therefore, when the output or price are not competitive, it is susceptible to competition from lower-priced lead-acid batteries or low-cost lithium iron batteries in China.

Response method：

(A). Marketing level

The sales target of the energy storage battery business is large uninterruptible power supply (UPS). In recent years, due to the tight domestic power supply, the technology industry has actively purchased the uninterruptible power system for the factory or plant use. Our company and its subsidiary, PBC, through cooperation with international uninterruptible power system manufacturers, take the advantage of their brand benefits, combined with excellent product performance, to increase market acceptance of lithium iron uninterruptible power systems. At present, it has successfully introduced and sold the uninterrupted power system of lithium iron batteries to many technology companies, and its subsidiaries in the Asia-Pacific region and the United States. Currently, the system vendors that our company cooperates with and sells are Eaton and Delta. It is expected to increase the market share of lithium battery uninterrupted power systems year by year and gradually replace the original lead-acid batteries.

As the direction of domestic energy development towards green energy is clear, we will comply with the government's green energy policy and actively strive for domestic regional green energy planning, such as, 10% of energy storage generated by the intermittent renewable energy project led by the Ministry of Economy, to provide solutions for the national green energy policy. The power battery business unit is aimed at the layout of the electric vehicle market in Japan and India. In the Japanese electric vehicle market, we cooperate with car manufacturers to develop battery packs for light electric vehicles. These electric vehicles are mainly used for sightseeing, home delivery, and operating power. Up to now, our mass production shipments have continued and stabilized. n the Indian market, we cooperate with car manufacturers to develop battery packs for light electric tricycles, which are mainly used in transportation and home delivery. Our company and its subsidiary, PBC, will actively seek various cooperation models in the future to expand the market of electric vehicles.

(B). Technical level

In terms of battery cell performance, our company and its subsidiary, PBC, have developed 2C charge-discharge batteries to enhance the use of compensated energy storage. The application of graphene effectively increases the energy density of the battery. We work with government-based institution to develop EDLC supercapacitors and LIC lithium capacitors.

In summary, the company and its subsidiary, PBC, are committed to improving product performance and uniqueness, while ensuring market competitiveness, actively exploring markets for various applications. With the promotion benefits of our excellent business performance, our market penetration rate has gradually increased. In this way, we can further increase the production economic scale of battery cells / capacitors and enhance the competitiveness of production costs.

(II) The Production Procedures and Applications of Main Products

1. Major Products and Their Application

(1) Wafer Reclaim Service

Process monitoring is critical for Fab operation. No matter for tool condition verification, process parameters optimization, and process condition monitoring, lots of test/monitor wafers are needed. For example, in thin film module, various films are deposited on wafers, the properties of these films are measured to ensure the performance meet the target. Similar monitoring activities are also applied in all modules. Therefore, test/monitor wafer is inevitable consumable for mass production. Reclaim wafer can be substituted for test/monitor wafer in most of these monitoring and offer cost advantages.

(2) Wafer Thinning Service

Wafer thinning process is mainly applied on analog power semiconductor device. BGBM process, which allow the device to meet the electrical characteristics and assembly requirement, is an inevitable process for power semiconductor device. With the introduction of front side metallization process, CP test, and dicing, Psi also offer turn-key solution to the customers. Not only provide full range of services, Psi also support customers to simplify supply chain management. Quality and cycle time control is improved and therefore fulfill the goal of customer satisfactory.

(3) Lithium battery products

The high-capacity and high-discharge product features of the company's subsidiary batteries can be used in factory-sized UPS systems. The batteries provide the functions of instantaneous voltage drop bearing and regulated battery system. Energy storage lithium battery products are currently the most environmentally friendly and safe rechargeable battery solutions among secondary batteries, and will replace the current high-pollution, low-power lead-acid batteries. In recent years, under the government's policy of promoting green energy, it can also be widely used in smart grid systems, medium and large-scale uninterrupted power equipment energy storage systems, such as solar energy systems and wind power generation systems. At present, our lithium batteries are mainly used in power devices, such as electric buses, locomotives, and various electric engineering vehicles. The company's lithium battery products have the characteristics of instant high-current discharge, fast charging, safety, high capacity, high power and long life. Because they can be used in more severe environments and conditions, and have the superiority that other batteries can not replace. At the same time, they can effectively reduce the car's dependence on gasoline.

2. Processw Flow

(1) Wafer Reclaim Process

SORTING ⇨ STRIPPING ⇨ LAPPING ⇨ ETCHING

⇨ POLISHING ⇨ PRE - CLEAN ⇨ IMECH.&ELEC INSPECTION ⇨ FINAL - CLEAN

⇨ SURFACE INSPECTION ⇨ PACKING

(2) Wafer Thinning Process

IQC ⇨ FRONT SIDE METAL ⇨ PR COATING

⇨ LITHOGRAPHY ⇨ METAL ETCHING ⇨ WAFER TAPING

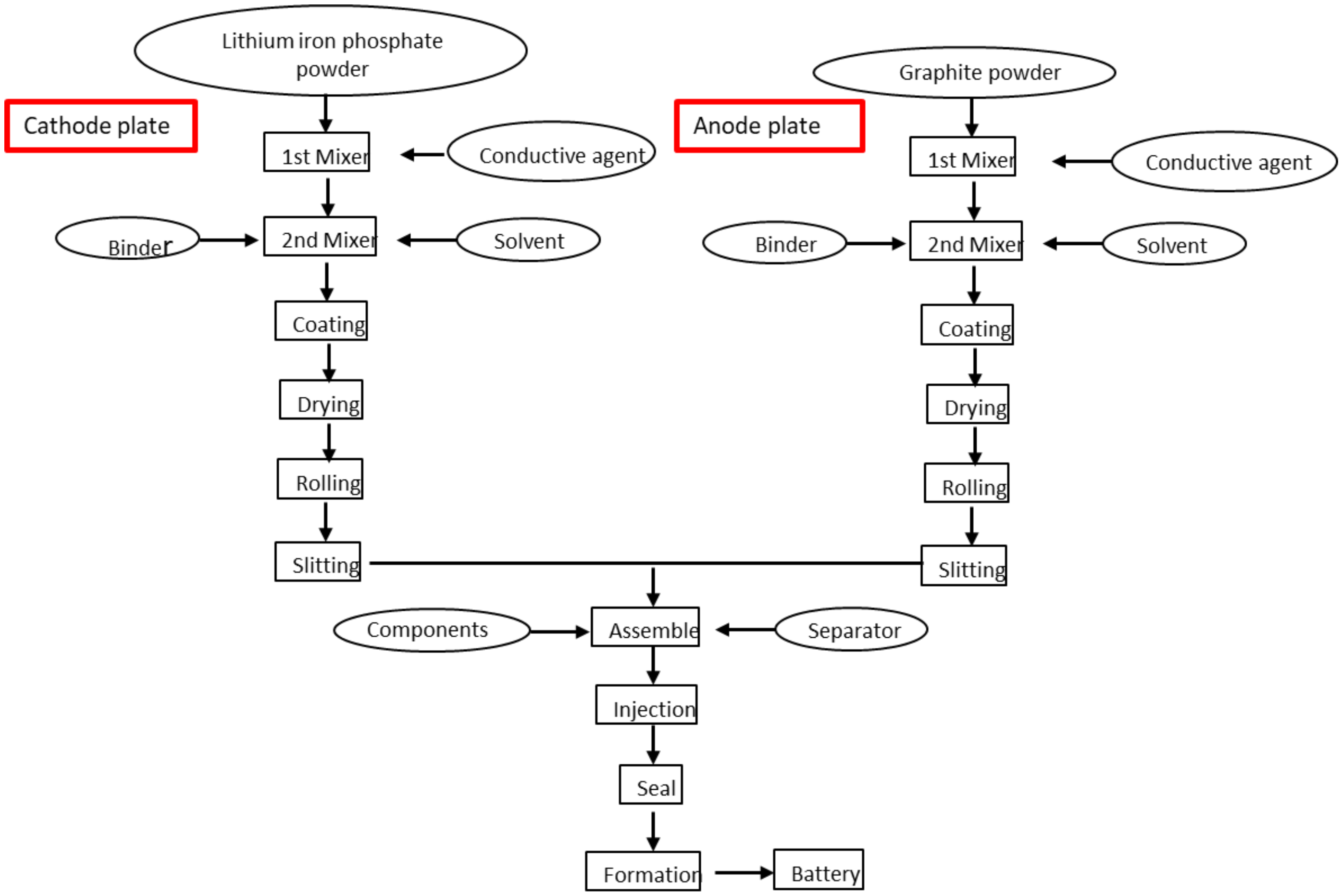
⇨ WAFER GRINDING ⇨ BACK TREATMENT ⇨ DE-TAPING

⇨ FINAL - CLEAN ⇨ BACK SIDE METAL ⇨ INSPECTION

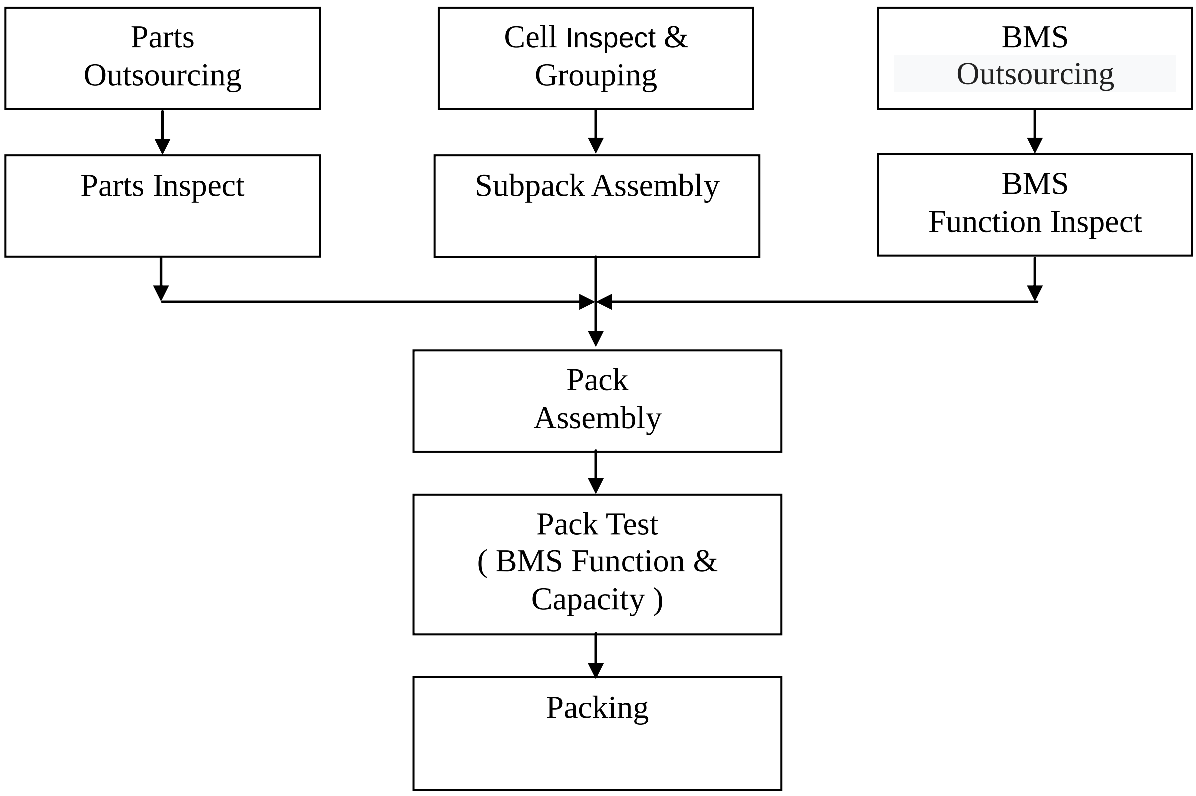
⇨ CIRCUIT PROBING ⇨ OQC ⇨ PACKING

(4)Lithium battery product manufacturing process

A. Lithium battery cell



B. Battery pack



(III) The Supply Status of the Main Raw Materials

The main raw material including 8” tape, slurry, silver, and hydrogen peroxide. All the suppliers are international and local famous companies with high quality and stable supply. Psi not only maintain long term cooperation with the suppliers, but also execute supplier audits periodically to ensure the product quality. Most of the raw material come from multiple suppliers to ensure the stability of raw material supply.

Main materials	Supplier name	Supply situation
H2O2	A Company	good
8”Tape	B Company	good
Slurry	C Company	good
Ag	D Company	good

(Ⅳ) Name of clients who have accounted for 10% or more of the annual purchase (sales) in either of the last two years; the amount and ratio of such purchase (sales); the reason for changes

1. Net purchase accounted for 10% or more of the annual purchase

Unit: NT$ thousand；%

Item	2018				2019				2020 up to the previous quarter (March 31, 2020)			
	Company	Amount	Ratio to net annual purchase (%)	Relationship with the Issuer	Company	Amount	Ratio to net annual purchase (%)	Relationship with the Issuer	Company	Amount	Ratio to net annual purchase	Relationship with the Issuer
1	Others	519,849	100.00	-	Others	714,627	100.00	-	Others	172,258	100.00	-
	Net purchase	519,849	100.00		Net purchase	714,627	100.00		Net purchase	172,258	100.00	
Reasons for changes：： Mainly due to the quotation and quality considerations, it turned to other suppliers for procurement. The Company and suppliers have been cooperating for many years, and have maintained a stable and close cooperative relationships for a long time. The source of supply is stable, and most of the materials are provided by more than two qualified suppliers to ensure that the supply is steady.												

2. Net sales accounted for 10% or more of the annual sales

Unit: NT$ thousand；%

Item	2018				2019				2020 up to the previous quarter (March 31, 2020)			
	Company	Amount	Ratio to net annual sales	Relationship with the Issuer	Company	Amount	Ratio to net annual sales	Relationship with the Issuer	Company	Amount	Ratio to net annual sales	Relationship with the Issuer
1	AA Company	841,046	39.64	None	AA Company	992,981	37.48	None	AA Company	313,583	50.05	None
2	AB Company	279,291	13.16	None	AB Company	488,005	18.42	None	AB Company	87,903	14.03	None
3	Others	1,001,536	47.20	-	Others	1,168,073	44.10	-	Others	225,047	35.92	-
	Net sales	2,121,873	100.00		Net sales	2,649,059	100.00		Net sales	626,533	100.00	
Reasons for changes： The changes of the Company's sales customers are mainly due to the Company's conversion of operating strategies, the active development of thin wafer foundry, and the business needs and performance of the market and specific customers.												

(Ⅴ) Table of production volume and value for the last two years

Unit: Thousand units; NT$ thousand

Year / Production volume / Main Product	2018			2019		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
semiconductor wafer service (thousand pieces)	3,932	3,668	1,291,068	4,589	4,388	1,593,229
Battery Cell(thousand sets)	303	184	153,255	405	247	153,201
Battery Pack (thousand sets)	(Note 1)	6	91,147	(Note 1)	8	36,356
Total		(Note 2)	1,535,470		(Note 2)	1,782,786

Note 1：Lithium battery is a customized product, Unable to calculate capacity.

Note 2：Due to the computing unit is different ,the total cannot be calculated.

(Ⅵ) Table of Sales volume and value for the last two years

Unit: Thousand units; NT$ thousand

Year / Sales volume / Main Product	2018				2019			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
semiconductor wafer service	3,408	1,727,751	530	274,134	3,977	2,115,886	310	344,232
Battery Cell(thousand sets)	30	18,969	42	24,677	23	10,960	51	38,476
Battery Pack (thousand sets)	6	62,849	1	13,493	7	114,512	3	24,993
Total	(Note 1)	1,809,569	(Note 1)	312,304	(Note 1)	2,241,358	(Note 1)	407,701

Note 1：Due to the computing unit is different ,the total cannot be calculated.

III、Hunan Resources

Year		2018	2019	March 31, 2020
Number of employees (persons)	Direct Staff	313	391	397
	Indirect Satff	328	387	381
	Total	641	778	778
Average Age		36.40	35.73	35.56
Average Seniority (years)		4.03	4.05	4.16
Education %	Doctors	0.78%	0.90%	0.90%
	Masters	12.95%	12.30%	13.11%
	Bachelor's Degree	69.11%	68.20%	68.38%
	Senior high schools and below	17.16%	18.60%	17.61%
	Total	100.00%	100.00%	100.00%

IV、Environmental Protection Expenditures

(I)The loss (including indemnity) caused by pollution to the environment, the total amount of penalty in the last 2 years to the day this report was printed, and disclose the policy in response (including corrective action plan) to the situation and possible spending (including the loss deriving from the failure to take action in response to the situation, penalty, and the estimated amount of indemnity. If it is not possible to make reasonable estimation, explain with evidence): None.

V、Labor Relations

(I)Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

1. Employee Benefits:

Provide high quality salary and fair reward, promotion methods to confirm all the colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, year-end party, cash premiums for wedding/funeral, scholarship, lunch, dormitory and complete staff training.

2. Training and Practice

The Company provides a wide array of training programs through on-the-job training of different areas of specialization, and programs for self-development, including orientation for the new employees, on-the-job training programs, training in occupational health and safety, program on professional topics, and other external training on related duties to train personnel with professional capacity and ready for challenges.

3. Retirement Policy

In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, and contributes on a monthly basis 4% of the total salary (wages) as pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund.

Employees who registered for duties after July 2005 will be based on the new system (the employer will appropriate 6% of their respective monthly salaries to the personal accounts at the Labor Insurance Bureau).

4. Labor-Management coordination

The rules and regulations of the Company were instituted in accordance with the Labor Standard Act. Labor-Management conference is held at regular intervals under the Regulations Governing Labor-Management Conferences. The Labor-Management relation of the Company has long been harmonious with through channels for communications. Discussion would be held in the Labor-Management Conference and the Employee Welfare Committee on matters related to the benefits on both sides. Communication of this kind helps to improve mutual understanding of the needs and expectation. All of the Company share the common value of coexistence and mutual prosperity and create a better future of the Company in joint effort.

5. Measures To Protect Employee Rights

The Company has a viable management system with various rules and regulations explicitly stated. The content covers the rights and obligations, as well as the benefits of the employees. The content of benefits is subject to routine review and adjustment to protect the rights of all employees.

6. Work environment and employee personal safety protection measures

(1)In view of the importance of the work environment and the personal safety protection measures of the company, the company has introduced the ISO 14001 environmental management system and ISO 45001 occupational safety and health management system, which complies with the requirements of ISO provisions and relevant requirements of government agencies. It is controlled by operating control methods. Obtained obvious results and control. The main goals and management plans are summarized as follows：

Item	Target	Program	Presentation	Implementation situation
1	Pass fire safety inspection	According to fire inspection related measures	Fire facilities, fire lines and regular safety inspections.	Equipped with qualified fire protection facilities, making signs and advocacy
2	Installation of leakage protection devices to protect electrical pipelines.	Power safety management program	According to the OPSE-014 power safety management program.	1. No personal electrical appliances are allowed in the factory. 2. It is prohibited to connect extension cables in the factory.
3	The product properties are in compliance with environmental protection specifications, ensuring that no impurities such as organic solvents and non-environmental materials are added during the test	Product property control	During the test, it is not allowed to change raw materials, auxiliary materials, tools or equipment, and it is forbidden to add impurities such as organic solvents. The components that the maintenance personnel need to replace must meet the same suppliers used in the environmental protection materials regulations, and the product names and specifications of the same batch must be replaced or replaced by non-environment materials for private use.	Compliant with ISO 9001.
4	Bright working environment and fire safety inspection facilities	Control of the work environment	Lighting equipment and fire extinguishers should be sufficient. If they are inadequate or damaged, they should be replaced immediately. Regular inspections should be performed once a month	It complies with the ISO 45001 standard and passed the audit of the fire control authority.
5	Environmental permit	Pollution projects have obtained environmental	The plant has a fixed pollution source prevention permit, a water pollution	Meets ISO 14001 specifications

Item	Target	Program	Presentation	Implementation situation
		permits	prevention permit, and a letter of approval for the waste cleaning plan.	
6	Operating environment meets regulatory standards	Working environment detection	Every 6 months, the operation environment monitoring is performed to ensure that the operation environment control factors meet regulatory standards	Comply with Occupational Safety and Health Law
7	Implement prevention of fires, earthquakes and other disasters to protect human lives and reduce the chance of disasters in an all-round way	Fire protection plan	According to the fire protection law, the necessary matters of fire prevention shall be implemented, and the purpose of preventing fire, earthquake and other disasters shall be implemented.	Hsinchu City Fire Bureau inspection and approval..
8	Business Continuity Plan	establish business bontinuity plan	Establish BCP based on risk indicators in the factory	Meets RBA specifications
9	Contractor's operation is harmless	Contracted Safety Management	Effectively manage contracted operations to ensure operation safety	Comply with Occupational Safety and Health Law
10	Proper use of protective gear	establish protective gear using SOP	Operate according to the OPSE-003 protective gear management program in the factory to provide operator safety protection	Comply with ISO 45001 and Occupational Safety and Health Law

(2) Safety environment

The company is located in the Science Park. It is a leased land self-built factory building. Except that the factory building performs fixed fire safety inspections every year, it conducts building security inspections every two years, and reports inspection records to government agencies. The system engineer in the plant also performs an independent fire inspection every month. The employees also cooperate in participating in the plant fire training and emergency response drills to understand the escape line and increase the ability to respond. The company also performs an operating environment test every 6 months to Ensure that the pollution factor of the working environment meets the permitted concentration of regulations.

(3) Comprehensive security guarantee

The company's operating environment planning and design take safety as the first consideration and comply with relevant laws and regulations to protect the personal safety of employees. Regular fire safety inspections and a "fire manager" to plan the fire safety operations of our factory. Our insurance covers "fire and public accident insurance" to protect company property and equipment; employees participate in "group insurance" to provide life protection and Medical quality, including medical insurance such as life insurance, accident insurance, and hospitalization insurance; resident security personnel regularly inspect the perimeter environment of the factory area; infrared sensors are set on the perimeter of the factory area, which will be triggered when outsiders enter the factory through abnormal channels. Alarm, security personnel will immediately track to ensure the safety of plant personnel.

7. Code of Conduct or Ethics

In order to enable employees to have a better understanding of ethics, rights, obligations and the code of conduct, the Company hereby works out the relevant measures and regulations to provide basis for all employees. The relevant measures are briefed as follows:

(1) Rules on decision-making right and right decentralization

To improve work efficiency, strengthen the management on right decentralization and effectively standardize the rights of employees at different levels.

(2) Organizational structure and duties of each department

Definitely regulate the organizational functions of each unit and the duties of each post.

(3) The Employee Handbook is prepared to help employees understand the relevant measures and regulations

a.Tutoring programs for new employees： to eliminate the new employees' insecurity towards the new environment and soon familiarize the working environment and colleagues after reporting for duty and help them to get their mind and body ready for work and reduce the turnover rate within a short period.

b. Code of business ethics： to improve all employees' behavioral quality, business ethics and expertise and try to maximize the Company's benefit within the legal scope. Every employee has the responsibility to prevent the Company's interests from being lost or impaired and is obliged to maintain the Company's reputation so as to guarantee its permanent growth and development.

c. Employment rules and regulations： defines clearly working conditions, human resources management principals, and lays out clear ground rules for being part of the Company.

d. Leave-related measures for employees： to provide basis for employees to take and ask for a leave.

e. Reward and punishment system： Rewards or punishment are given to employees whose behavior or conduct has brought benefit or loss for the Company in operation.

f. Performance assessment method for employees：employees' working achievements and performance are assessed annually as the basis for salary adjustment, promotion, issuance of bonus and arrangement for training courses.

(II)The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report: Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

VI、Important Contracts

(I) The Company

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2006/12/01~2026/11/30	Land lease contract No. 6, Li-Hsin Road	NA
Land Lease Agreement	Hsinchu Science Park Administration	2017/12/04~2036/11/30	Land lease contract No. 8, Li-Hsin Road	NA
Land Lease Agreement	Hsinchu Science Park Administration	2020/01/21~2027/12/31	Land lease contract No. 12-2, Creation 4th Road	NA
Plant Lease Agreement	Phoenix Battery Corporation	2018/02/01/2023/01/31	Plant Lease contract of 3rd floor of No. 8, Li-Hsin Road	NA

(II) Phoenix Battery Corporation

Agreement	Counterparty	Period	Major Contents	Restrictions
Plant Lease Agreement	Shenghong Construction Co., Ltd.	2018/02/01~2023/01/31	Plant Lease contract of Zhonghua Road	NA
Plant Lease Agreement	Phoenix Silicon International Corporation	2018/02/01/~2023/01/31	Plant Lease contract of 3rd floor of No. 8, Li-Hsin Road	NA

VI. Financial Information

Ⅰ. Five Years Financial Summary

(Ⅰ) Brief financial statements and consolidated income statement

1. Consolidated Condensed Balance Sheet (Based on IFRS)

(1) Consolidated Condensed Balance Sheet

Unit: NT$ thousand

Item \ Year		Financial data for the most recent five years(Note 1)					current year Mar31,2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		934,674	1,024,327	1,111,883	1,561,903	2,626,523	-
Property, plant and equipment		1,542,668	1,542,153	1,565,583	1,536,209	2,388,908	-
Intangible assets		28,331	29,689	27,396	30,801	33,238	-
Other assets		39,955	69,961	125,742	181,586	358,504	-
Total assets		2,545,628	2,666,130	2,830,604	3,310,499	5,407,173	-
Current liabilities	Before distribution	459,443	594,900	709,247	726,353	1,053,046	-
	After distribution	634,685	770,142	861,124	938,206	Not assigned	-
Non-current liabilities		486,863	460,306	520,293	345,331	1,881,531	-
Total liabilities	Before distribution	946,306	1,055,206	1,229,540	1,071,684	2,934,577	-
	After distribution	1,121,548	1,230,448	1,416,465	1,283,537	Not assigned	-
Equity attributable to owners of the parent company		1,599,322	1,610,924	1,601,064	2,188,422	2,437,270	-
Share capital		1,168,280	1,168,280	1,168,280	1,324,080	1,324,080	-
Capital reserve	Before distribution	190,438	190,438	190,438	502,474	634,768	-
	After distribution	190,438	190,438	155,390	502,474	634,768	-
Retained earnings	Before distribution	240,604	252,206	242,346	361,868	478,422	-
	After distribution	65,362	76,964	90,469	150,015	Note 3	-
Other equity		-	-	-	-	-	-
Treasury stock		-	-	-	-	-	-
Non-controlling interest		-	-	-	50,393	35,326	-
Total equity	Before distribution	1,599,322	1,610,924	1,601,064	2,238,815	2,472,596	-
	After distribution	1,424,080	1,435,682	1,414,139	2,026,962	Not assigned	-

Note 1: The last five years financial information had been audited by certified public accountants

Note 2: The Company invested a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

(2) Parent Company only Balance Sheet (Based on IFRS)

Unit: NT$ thousand

Item \ Year		Financial data for the most recent five years(Note1)				
		2015	2016	2017	2018	2019
Current assets		934,674	1,024,327	875,373	1,338,403	2,437,139
Property, plant and equipment		1,542,668	1,542,153	1,472,258	1,442,208	2,259,018
Intangible assets		28,331	29,689	25,858	29,462	32,397
Other assets		39,955	69,961	120,816	291,983	423,464
Total assets		2,545,628	2,666,130	2,689,643	3,102,056	5,152,018
Current liabilities	Before distribution	459,443	594,900	674,979	618,374	923,458
	After distribution	634,685	770,142	826,856	830,227	Not assigned
Non-current liabilities			460,306	413,600	295,260	1,791,290
Total liabilities	Before distribution	946,306	1,055,206	1,088,579	913,634	2,714,748
	After distribution	1,121,548	1,230,448	1,275,504	1,125,487	Not assigned
Equity attributable to owners of the parent company		1,599,322	1,610,924	1,601,064	2,188,422	2,437,270
Share capital		1,168,280	1,168,280	1,168,280	1,324,080	1,324,080
Capital reserve	Before distribution	190,438	190,438	190,438	502,474	634,768
	After distribution	190,438	190,438	155,390	502,474	634,768
Retained earnings	Before distribution	240,604	252,206	242,346	361,868	478,422
	After distribution	65,362	76,964	90,469	150,015	Not assigned
Other equity			-	-	-	-
Treasury stock			-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,599,322	1,610,924	1,601,064	2,188,422	2,437,270
	After distribution	1,424,080	1,435,682	1,414,139	1,976,569	Not assigned

Note 1: The last five years financial information had been audited by certified public accountants

Note 2: The Company invested a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

2. Consolidated statement of Comprehensive Income (Based on IFRS)

(1) Consolidated statement of Comprehensive Income

thousand, except for earnings (loss) per share (EPS) expressed in NT$

Item / Year	Financial data for the most recent five years(Note 1)					current year Mar31,2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenue	1,521,007	1,709,530	1,855,819	2,121,873	2,649,059	-
Gross profit	529,548	580,570	607,476	720,946	889,440	-
Operating profit and loss	235,557	252,714	254,463	299,549	430,868	-
Non-operating income and expenses	(4,222)	(16,602)	(29,523)	(23,424)	(14,608)	-
Income before tax	231,335	236,112	224,940	276,125	416,260	-
Net income from continuing operation	182,915	190,693	167,109	198,885	317,028	-
Loss from discontinued operation	-	-	-	-		-
Net income (loss)	182,915	190,693	167,109	198,885	317,028	-
Other comprehensive income (net after tax) for the current period	(2,352)	(3,849)	(1,727)	515	(3,688)	-
Total comprehensive income for the current period	180,563	186,844	165,382	199,400	313,340	-
Net income (loss) attributed to owners of the parent company	182,915	190,693	167,109	232,634	332,095	-
Net income (loss) attributable to non-controlling interests	-	-	-	(33,749)	(15,067)	-
Total comprehensive income attributable to owners of the parent company	180,563	186,844	165,382	233,149	328,407	-
Total comprehensive income attributable to non-controlling interests	-	-	-	(33,749)	(15,067)	-
Earnings per share	1.57	1.63	1.43	1.87	2.51	-

Note 1: The last five years financial information had been audited by certified public accountants

Note 2: The Company invested a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

(2) Parent Company only Statement of Comprehensive Income (Based on IFRS)

thousand, except for earnings (loss) per share (EPS) expressed in NT$

Item \ Year	Financial data for the most recent five years(Note)				
	2015	2016	2017	2018	2019
Operating revenue	1,521,007	1,709,530	1,841,049	2,018,052	2,465,694
Gross profit	529,548	580,570	628,247	748,194	881,372
Operating profit and loss	235,557	252,714	309,793	393,658	484,909
Non-operating income and expenses	(4,222)	(16,602)	(84,853)	(83,784)	(53,582)
Income before tax	231,335	236,112	224,940	309,874	431,327
Net income from continuing operation	182,915	190,693	167,109	232,634	332,095
Loss from discontinued operation	-	-	-	-	-
Net income (loss)	182,915	190,693	167,109	232,634	332,095
Other comprehensive income (net after tax) for the current period	(2,352)	(3,849)	(1,727)	515	(3,688)
Total comprehensive income for the current period	180,563	186,844	165,382	233,149	328,407
Net income (loss) attributed to owners of the parent company	182,915	190,693	167,109	232,634	332,095
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	180,563	186,844	165,382	233,149	328,407
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.57	1.63	1.43	1.87	2.51

Note 1: The last five years financial information had been audited by certified public accountants

Note 2: The Company invested a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

(Ⅲ) Names of CPAs and audit opinion

Year	Name of the accounting firm	Name of CPA	Audit Opinion
2015	PwC Taiwan	Tseng Kuo-Hua、Li, Tien-Yi	Unqualified opinion
2016	PwC Taiwan	Tseng Kuo-Hua、Li, Tien-Yi	Unqualified opinion
2017	PwC Taiwan	Li, Tien-Yi、Xie、Zhi-Zheng	Unqualified opinion
2018	PwC Taiwan	Li, Tien-Yi、Xie、Zhi-Zheng	Unqualified opinion
2019	PwC Taiwan	Li, Tien-Yi、Xie、Zhi-Zheng	Unqualified opinion

Ⅱ. Five Years Financial Analysis

(Ⅰ) Financial analysis - under IFRS

1.Financial analysis (consolidated under IFRS)

Item	Year	Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019
Financial structure	Liabilities to asset ratio (%)	37.17	39.58	43.44	32.37	54.27
	Ratio of long-term funds to fixed assets (%)	135.23	134.31	135.50	168.22	182.26
Solvency	Current ratio (%)	203.44	173.36	156.77	215.03	249.42
	Quick ratio (%)	154.92	137.50	118.83	185.70	224.86
	Interest coverage ratio	19.18	20.47	19.25	24.85	21.41
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.15	4.91	5.57	5.97	7.08
	Average collection days	71	75	66	62	52
	Inventory turnover ratio (times)	2.72	3.37	3.60	4.21	5.57
	Payables turnover ratio (times)	13.79	13.44	13.91	13.07	13.17
	Average inventory turnover days	135	109	102	87	66
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.21	1.11	1.19	1.37	1.35
	Total asset operating revenue ratio (times)	0.64	0.66	0.68	0.69	0.61
Profitability	Return on assets (%)	8.10	7.69	6.41	6.75	7.99
	Shareholder’s equity return ratio (%)	11.67	11.88	10.41	10.36	13.46
	Pre-tax income to paid-in capital ratio (%)	19.80	20.21	19.25	20.85	32.54
	Net profit ratio (%)	12.03	11.15	9.00	9.37	11.97
	Earnings per share (NT$)	1.57	1.63	1.43	1.87	2.51
Cash flow	Cash flow ratio (%)	64.14	83.42	68.77	74.17	64.55
	Cash flow adequacy ratio (%)	97.78	97.58	93.53	93.32	66.95
	Cash flow reinvestment ratio (%)	4.77	8.76	7.84	7.52	7.14
Leverage	Operating revenue leverage	4.09	4.30	4.74	3.69	4.20
	Financial leverage	1.06	1.05	1.05	1.04	1.05

Analysis of deviation for the last two years over 20%：

1. Liabilities to asset ratio：Mainly due to the increase in long-term loans and issuing corporate bonds.
2. Quick ratio：Mainly due to issuing corporate bonds and the increase of cash equivalents.
3. Inventory turnover ratio(times) , Average inventory turnover days：Due to the increase of revenue in 2019 that pushed up the turnover rate.
4. Shareholder’s equity return ratio, Pre-tax income to paid-in capital ratio, Net profit ratio、Earnings per share：Due to increase in profit in 2019.
5. Cash flow adequacy ratio：Mainly due to the increase in capital expenditures, cash dividends and increase in inventories in the last five fiscal years.

Note: The last five years financial information had been audited by certified public accountants

(2)Parent Company Only Financial Statements

Item	Year	2015	2016	2017	2018	2019
		Financial Analysis for the Last Five Years				
Financial structure	Liabilities to asset ratio (%)	37.17	39.58	40.47	29.45	52.69
	Ratio of long-term funds to fixed assets (%)	135.23	134.31	136.84	172.21	187.19
Solvency	Current ratio (%)	203.44	173.36	129.69	216.44	263.91
	Quick ratio (%)	154.92	137.50	111.07	197.45	248.31
	Interest coverage ratio	19.18	20.47	19.72	32.48	27.01
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.15	4.91	5.58	5.93	6.86
	Average collection days	71	75	66	62	53
	Inventory turnover ratio (times)	2.72	3.37	5.37	9.45	10.50
	Payables turnover ratio (times)	13.79	13.44	13.11	12.84	13.84
	Average inventory turnover days	135	109	68	39	35
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.21	1.11	1.22	1.38	1.33
	Total asset operating revenue ratio (times)	0.64	0.66	0.69	0.70	0.60
Profitability	Return on assets (%)	8.10	7.69	6.57	8.29	8.67
	Shareholder's equity return ratio (%)	11.67	11.88	10.41	12.28	14.36
	Pre-tax income to paid-in capital ratio (%)	19.80	20.21	19.25	23.40	32.58
	Net profit ratio (%)	12.03	11.15	9.08	11.53	13.47
	Earnings per share (NT$)	1.57	1.63	1.43	1.87	2.51
Cash flow	Cash flow ratio (%)	64.14	83.42	79.39	99.06	77.16
	Cash flow adequacy ratio (%)	97.78	97.58	97.13	96.24	71.59
	Cash flow reinvestment ratio (%)	4.77	8.76	9.67	9.78	8.03
Leverage	Operating revenue leverage	4.09	4.30	3.86	2.78	3.47
	Financial leverage	1.06	1.05	1.04	1.03	1.04

Analysis of deviation for the last two years over 20%：

1. Liabilities to asset ratio：Mainly due to the increase in long-term loans and issuing corporate bonds.
2. Current ratio、Quick ratio：Mainly due to issuing corporate bonds and the increase of cash equivalents.
3. Pre-tax income to paid-in capital ratio、Earnings per share ：Due to increase in profit in 2019.
4. Cash flow ratio：Increasing profit in 2019 accompyied by more cash in-flow from operation
5. Cash flow adequacy ratio：Mainly due to the increase in capital expenditures, cash dividends and increase in inventories in the last five fiscal years.
6. Operating revenue leverage：Mainly due to the increase in operating income and the decrease in variable operating costs and expenses.

Note: The last five years financial information had been audited by certified public accountants

Note 2: The calculation formula is as follows:

1. Financial structure
   (1) Debt to asset ratio = total debts / total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset - inventories) / Current liabilities
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) /Interest expenses over this period
3. Operating ability
   (1) Receivables operating revenue ratio (including accounts receivables and notes receivables resulting from business operations) = Net sales /Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost to sales / Average inventory value
   (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = Costs to sales / Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) operating revenue ratio = Net sales / Average value of PP&E
   (7) Total asset operating revenue ratio = Net sales / Average total asset value.
4. Profitability
   (1) Return on assets (ROA) = [Post-tax profit or loss + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Post-tax profit or loss / Average total equity value.
   (3) Net profit ratio = Post-tax profit and loss / Net sales.
   (4) Earnings per share = (Income or loss attributable to owners of parent company – Dividends on preferred shares) / Weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = Net operating cash flow / Current liabilities.
   (2) Net cash flow adequacy ratio = Net operating cash flow in the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) in the most recent five years.
   (3) Cash flow re-investment ratio = (Net operating cash flow – Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income.
   (2) Financial leverage = Operating income / (Operating income – Interest expenses).

Ⅲ.Audit Committee’s Report IN the Most Recent Year：

Phoenix Silicon International Corporation
Audit Committee’s Review Report

The Board of Directors has prepared the Company’s Financial Statements, 2019 Business Report and proposal for distribution of 2019 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2019 Business Report and proposal for distribution of 2019 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

Phoenix Silicon International Corporation

Chairman of the Audit Committee：Huang Hung-Lung

On the date of April 7, 2020

Ⅳ.Consolidated Financial Statements：Please refer to page114-182 .

Ⅴ.Parent Company Only Financial Statements：Please refer to page183-246.

Ⅵ.The Company should disclose the financial impact on the Company if the Company and its affiliated companies have incurred any financial difficulties in a recent year and as of the date of this Annual Report：None.

Ⅶ.Review and analysis of financial conditions and performance and risk issues

Ⅰ.Analysis of Financial Status

Unit: NT$ thousand；%

Year / Item	2019	2018	Different		
			Amount	%	Remark
Current assets	2,626,523	1,561,903	1,064,620	68.16%	(1)
Property, plant, and equipment	2,388,908	1,536,209	852,699	55.51%	(2)
Intangible assets	33,238	30,801	2,437	7.91%	
Other assets	358,504	181,586	176,918	97.43%	(3)
Total assets	**5,407,173**	**3,310,499**	**2,096,674**	63.33%	
Current liabilities	1,053,046	726,353	326,693	44.98%	(4)
Non-current liabilities	1,881,531	345,331	1,536,200	444.85%	(5)
Total liabilities	**2,934,577**	**1,071,684**	**1,862,893**	173.83%	
Share capital	1,324,080	1,324,080	0	0.00%	
Capital reserve	634,768	502,474	132,294	26.33%	(6)
Retained earnings	478,422	361,868	116,554	32.21%	(7)
Equity attributable to owners of the parent company	**2,437,270**	**2,188,422**	**248,848**	11.37%	
Non-controlling interest	35,326	50,393	(15,067)	(29.90)%	(8)
Total equity	**2,472,596**	**2,238,815**	**233,781**	10.44%	

1. Explanation of significant change of items (The amount changed by more than 20%, and the amount more than 10 million)：
   (1)Current assets：Mainly due to issuing corporate bonds and the increase of cash equivalents.
   (2)Property, plant, and equipment：Mainly due to purchasing equipments.
   (3)Other assets：Due to the increase of right-of-use asset.
   (4)Current liabilities：Mainly due to transferring long-term loans to loans due within one year, so current liabilities increased.
   (5)Non-current liabilities：Mainly due to the increase in long-term loans and corporate debts payable.
   (6)Share capital：Mainly due to recognize the conversion rights of convertible corporate bonds.
   (7)Retained earnings：Due to the increase in profit in 2019.
   (8)Non-controlling interest：Mainly due to recognizing the operating losses of subsidiary.
2. Significant influence and the plan for response: None.

Ⅱ. Analysis of Operating Results

(Ⅰ) Comparative analysis of financial performance

Unit: NT$ thousand；%

Item \ Year	2019	2018	Increased (decreased) amount	Change ratio (%)	Remark
Operating revenue	2,649,059	2,121,873	527,186	24.85%	(1)
Operating cost	1,759,619	1,400,927	358,692	25.60%	(1)
Gross profit	889,440	720,946	168,494	23.37%	(1)
Operating expenses	458,572	421,397	37,175	8.82%	
Operating income	430,868	299,549	131,319	43.84%	(2)
Non-operating income and expenses	(14,608)	(23,424)	8,816	37.64%	
Income before tax	416,260	276,125	140,135	50.75%	(2)
Income tax expense	(99,232)	(77,240)	(21,992)	(28.47)%	(3)
Net income	317,028	198,885	118,143	59.40%	(2)
Other comprehensive income	(3,688)	515	(4,203)	(816.12)%	
Total comprehensive income	313,340	199,400	113,940	57.14%	(4)

Explanation of significant change of item (The amount changed by more than 20%, and the amount more than 10 million)：

(1) Operating revenue、Operating cost、Gross profit：The growth in demand in market that triggered corresponding growth in 2019 sales, Operating cost, Gross profit, and Operating income.

(2) Operating income, Income before tax, Net income：Mainly due to the increase in the gross profit and in the meantime causing the increase in operating profit, net profit before tax, and net profit for the current period.

(3) Income tax expense：Higher income tax due to increasing profits in 2019.

(4) Total comprehensive income：Mainly due to the increase in operating income and gross profit led to in comprehensive net profit increase.

(Ⅱ) The analysis of operating gross profit changes

Unit: NT$ thousand

	The increased/decreased number of change of the initial and later period	Reason for difference			
		Price difference	Cost difference	Sales difference	Quantity difference
Gross profit	168,494	87,245	(68,753)	1,742	148,260
Remark	1. Advantages of price difference：Mainly due to the sales increase for high grade products 2. Advantages of quantity difference：Mainly due to the increasing demands in the market led to the increase of sales volume.				

(Ⅲ) Major Capital Expenditure Items influence on Financial Business:

The Company's operating scales continue to grow and its financial structure is sound to meet the needs of future operation growth.

Ⅲ. Analysis of Cash Flow:

(Ⅰ) Analysis of cash flow changes for the most two year

Unit: %

Item \ Year	2019	2018	Increased (decreased) ratio (%)
Cash flow ratio	64.55	74.17	-12.97%
Cash flow adequacy Ratio	66.95	93.32	-28.26%
Cash reinvestment ratio	7.14	7.52	-5.05%

Reason for increased or decreased:

Cash flow ratio：Mainly due to the increase of current liabilities.

Cash flow adequacy ratio and cash reinvestment ratio：Mainly due to the increase in capital expenditures, cash dividends and increase in inventories in the last five fiscal years.

(Ⅱ)Change and Analysis of Cash Flow in 2020

Unit: NT$ thousand

Cash Balance at the period beginning	Net Cash Provided by Operating Activities in the period	Net Cash Used in Financing Activities in the Period	Cash Balance at the Period end	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,768,882	369,195	(1,072,688)	1,065,389	-	-

Analysis of Cash Flow：

Operating Activities：Mainly due to increase in revenues of 2020.

Investing Activities：Mainly due to capital expenditure.

Financing Activities：Mainly due to distribution of cash dividend.

Ⅳ. Major Capital Expenditure Items influence on Financial Business

(Ⅰ) Utilization of major capital expenditures and sources of funds

The company's major capital expenditure for the year 2019 is to expand the manufacturing processes of reclaim wafer and the productivies of thinning the wafer led to purchase machineries and equipments. The amount of equipments purchased is NT$556,898 thousand dollars. The source of funds is mainly from its own funds and bank loans. These capital expenditures are aimming to increase the productions of reclaim wafers and thinning wafer. So that the annual production in 2019 increased by 20% compared with 2018. In addition, if the company has a capital expenditure plan, it will consider the current financial situation and the expected return status in future. Therefore, it will not have adversely affect the company's financial condition.

(Ⅱ) The anticipated benefits: expanding business in domestic and overseas markets, increasing productivity and product quality, and enhancing the future competitiveness of the Company.

Ⅴ. Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year.

(Ⅰ) Reinvestment policy:

In consideration of the Company's overall competitiveness and the improvement of operating performance, on May 25, 2017, the shareholders' meeting decided to reorganize the Company's structure and on July 1, 2017, transfer the related businesses (including assets and liabilities) of its energy business unit to another subsidiary, Phoenix Battery Co., Ltd. (hereinafter referred to as Phoenix Battery) , which is a 100% owned by the Company. Phoenix Battery issued new shares as the consideration for the transferred business. After the division of the energy business, the company and Phoenix Battery will conduct a professional division of labor. In the future, the two companies will focus on their own products, technologies and markets, and will also bring in the strategic or financial investors into the energy business to expand the scale of operation and accelerate steps into the field of energy application market. In addition, Phoenix Battery passed the cash increase case on September 26, 2017, and issued 10,000 thousand ordinary shares with a nominal value of NT$10 per share. The rights to subscribe for all new shares were transferred to all shareholders of the Company. The shareholders of the Company gave up the subscribed shares or fractional shares. Phoenix Battery's board of directors consultated with a specific person and subscribed all the shares. The capital increase case was completed on January 11, 2018. The Company's shareholding in Phoenix Battery was therefore dropped from 100% to 71.51%.

(Ⅱ) Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

In 2019, the Company recognized investment loss from Phoenix Battery was NT$37,758 thousand dollars, a decrease of NT$46,952 thousand dollars from the NT$84,710 thousand dollars investment loss recognized in 2018. The Company will continue to expand its business sources. It hopes that through the cooperation with strategic alliance partners and internationally renowned system vendors, it will increase the penetration of market and increase order volume, in order to increase the economic scale of production capacity, and cooperate with the adjustment of the sales product portfolio and reduce the cost of materials, and to reduce losses and improve overall profitability.

(Ⅲ) Investment plan in the year ahead: None.

Ⅵ. Analysis of Risk Management:

(Ⅰ) Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

1. Effect of interest rate changes on the Company's profit and loss and future countermeasures

The interest expenses of the Company and its subsidiaries in the year 2018 and 2019 were NT$10,444 thousand dollars and NT$13,595 thousand dollars respectively, accounting for 3.78% and 3.27% of the net profit before tax, mainly due to borrowing from the banks. The change of insterest rates would have a certain impact, but the company has successively repaid the principal and interest on time. So the ratio of net interest income and expenditure to pre-tax net profit shows a decreasing trend.

The Company regularly evaluates the bank borrowing rate and maintains good relationships with banks in order to obtain a more favorable borrowing rate to reduce interest expenses. The Company also observes the impact of changes in financial market interest rates on the company's funds at any time, with a view to take any required measure. All correspondent financial institutions with the Company are institutions with certain appraisal and scale at home and abroad in order to obtain stable and safe capital investment returns.

2.Effect of exchange rate changes on the Company's profit and loss and future countermeasures

The company's main sales are denominated in U.S. dollars, and purchases are mainly denominated in New Taiwan dollars. The Company's net exchange (loss) gains for 2018 and 2019 were NT$8,424 thousand dollars and (NT$6,437) thousand dollars, accounted for operating profit were 2.81% and (1.49)% respectively. It shows that the changes of exchange rate has a certain impact on the company's profit and loss, but the overall exchange rate factor has not yet constituted a risk burden to the Company's profitability.

The company regularly assesses the fluctuations of exchange rate and uses spot and forward foreign exchange transactions to reduce risks at proper time in accordance with the Company's Procedures for acquiring or disposing of assets and Procedures for dealing with derivative commodities to minimize the impact on the Company's profit. In addition, the Company's financial department maintains a close relationship with the financial institutions, keeps observing the changes in exchange rates, fully grasps the international exchange rate trends and changes, and actively responds to the impact of exchange rate fluctuations. Besides that, the financial department will also adopt pre-sale forward foreign exchange and other methods according to the risk-averse requirements to reduce the impact of exchange rate changes and to adjust foreign currency positions in the spot market. In addition, the company keeps a variety of foreign currency accounts, adjusts the position of foreign currency held according to the actual capital demands or exchange rate trends, pays the accounts payable with sales income in the same currency, and uses the automatic hedging feature to avoid exchange risk.

3. Effect of inflation on the Company's profit and loss and future countermeasures

According to the Consumer Price Index for 2019 published by the Accounting Office of the Executive Yuan, the annual growth rate is 0.56%. It shows that there is no significant inflation. As of the date of publication of the prospectus, the Company's profit and loss has not had a significant impact due to inflation.

The company and its subsidiaries keep track of any price fluctuation at upstream material market and keep good relationships with suppliers. In the future, we will continue to closely observe the changes in the price index, study the impact of inflation on the Company, and adjust the raw materials inventory in a timely manner to respond to any presure caused by inflation. In addition, according to the changes in the market price of materials. When the preset tolerance range is exceeded, the Company will actively request suppliers to adjust to avoid a major impact on the Company due to inflation.

(Ⅱ) Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

1.The Company has always insisted on the principle of focusing on the industry and pragmatic operation. The financial policy is based on the principle of conservatism, and does not engage in high-risk, high-leverage investment businesses. If the derivative commodity exchanges are engaged, it is mainly to adhear to the principle of conservatism and stability, and to avoid the risk of real foreign exchange fluctuations. Due to it mainly belongs to the nature of risk aversion, the related risks are still limited

2. The Company has established the operation procedures such as "Management of Loans to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Financial Derivatives Transactions". As the basis for the company to engage in related operations.

3. As of the date of publication of the annual report of the Company, there is no endorsement or guarantee for others. In addition, due to the necessity of short-term financing, the Company has a loan to the subsidiary Phoenix Battery. The loan is processed in accordance with the “Management of Loans to Others” established by the Company.

(Ⅲ) Future Research & Development Projects and Corresponding Budget:

1. Future R & D plan

The Company's product and technology development has always been matching with customers and market needs, and pay close attention to future industry trends and development. To develop products and technologies will have market growth and future potential. The future product development plans are listed as follows：

(1) Removal of copper contamination inside silicon wafer

(2) Grinding, polishing and cleaning processes for infrared wafers.

(3) Grinding, polishing and cleaning processes for high-power application wafers (GaN, SiC, etc.).

(4) 1.5 mil ultra-thin wafer

(5) Biochip sensing platform, implantable biomedical electronic equipment

(6) Patterning process of precious metals, optical films, and black photoresist metals

(7) Micro Optics component process development

(8) Si-c anode material development

(9) <-30℃ cell capability development

(10) Carbon nanotube batteries development

(11) 2c charge/discharge LFP batteries development

(12) Supercapacitor development

2. Expected R & D expenses

The Company's estimated expenses for R & D is gradually invested according to the progress of new product and new technology development, and continues to invest in research and development funds depending on market changes and R & D progress of new products. With the growth of turnover in the future, the annual investment will be approximately 6% ~ 10% is used as research and development funds to expand the Company's operating scale and increase its competitiveness.

(Ⅵ) Impact of Changes in Company Image on Crisis Management and Countermeasures:

The semiconductor industry is heavily affected by the business cycle and the rapid changes in product demands. In addition to continuously investing in research and development expenditures to develop advanced processes and new derivative technologies, the Company is also committed to lower the costs and to developing application markets in response to the impact of technological and industrial changes.

(Ⅶ) Expected Benefits and Possible Risks Associated With any Merger and Acquisitions:

The Company insists on the enterprise spirit of stable operation and maintains a consistent excellent corporate image, and through strict internal control and crisis management mechanisms, effectively takes precautionary measures and ensures the sustainable operation of the enterprise.

(Ⅷ) Expected Benefits and Possible Risks Associated with any Plant Expansion:

In February, 2020, the Company purchased a plant at No. 12-2, Yanxin 4th Road. It is expected that part of the storage space of the Lixing Road plant will be moved to the newly purchased factory area. The plant vacated by the original factory will be used to expand production capacity. It is expected that more excellent talents will be hired to achieve the Company's established profit and growth goals, to improve the Company's operating performance, and to achieve the goals of sustainable operation and continuous growth. As for the expansion of the factory, the investment risk of the Company's financial situation is minal.

(Ⅸ) Risks Associated with any Consolidation of Sales or Purchasing Operations:

1. Purchase

The main raw materials of the products of the Company and its subsidiaries are slurry, 8 inch tape, Ag, etc. Purchasing policy is a comprehensive evaluation of factors such as supplier quality, price, delivery and coordination. In addition to continuing to establish good relationships with existing suppliers, and in the meantime, actively seek other excellent suppliers. Among the procurement targets of the Company, there is no large-scale purchase from a single supplier, and its proportion is still scattered. Therefore, there is no risk of concentrated purchases or unstable sources of supply.

2. Sales

The Company is mainly engaged in the wafer foundry manufacturing process. Therefore, customers are mainly semiconductor manufacturers. Due to the domestic wafer foundry is an oligopolistic market, so the Company has a situation of concentration of sales. In 2018 and 2019, the ratio of sales to the largest sales customer (including its reinvestment company) to net revenue was 52.83% and 60.06%, respectively. However, the company and its subsidiaries have continued to develop micro-electromechanical mid-process OEM, lithium battery and other businesses, and are committed to expanding their customer base, which has covered all domestic IC factories. The concentration of sales has a downward trend, and furthermore reduces the impact of a single customer on the Company.

(X) Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None.

(XI) Impact of Change in Management and its Potential Risks: None.

(XII) Litigation or Non-litigation Matters：

(1)Cases which have been settled with the counterparty

Primary Parties	Commencement Date of the Suit	Status as of the Print Date of the Annual Report	Claim Value
Rich Flash Technology Ltd.	Nov 1, 2018	Settled on Feb 21, 2019.	Total Settlement Amount NT$19,300,000
Lt Lighting Corp.	Nov 1, 2018	Settled on Mar 14, 2019	
Galaxy Biotechnology Laboratory Inc.	Nov 1, 2018	Settled on Aug 22, 2019	
Mr. Qiu,Wen-Bin	Sep 25, 2019	Settled on Mar 26, 2020	

(2)Ongoing Cases

(A)United Energy Technology Co., Ltd., the owner of the 8th floor of the Building at issue, petitioned for mediation with the Hsinchu District Court on September 25, 2019, requesting PBC to pay them compensation in the amount of NTD 15,329,000. Thereafter, the mediation failed. United Energy Technology Co., Ltd. filed a lawsuit with the Hsinchu District Court against PBC on February 25, 2019, requesting PBC to pay them compensation in the amount of NTD 18,505,000. This case is being tried in the Hsinchu District Court.

(B)Ms. Su-Fang Ye Wang is the owner of the 9th floor of the Building at issue, and Jin Xiang-Fa Coin Co., Ltd. is the landlord of the 9th floor of the Building at issue. Both of them jointly filed a lawsuit with the Hsinchu District Court against PBC on January 10, 2020, requesting PBC to pay them compensation in the total amount of NTD 9,518,000. The Hsinchu District Court ordered the case be processed under mediation and this case is being under the process of mediation.

(XIII) Other major risks and countermeasures:

The assessment of information security risk and response:

The Company has established a complete network and computer security protection systems to control or maintain the Company's manufacturing operations and accounting and other important business functions, to ensure the safety of network information transmission transactions, to protect the confidentiality and integrity of computer processing data.

In accordance with the Information Security Management Standards to execute the information work plan.

1. Security Control for Computers and Information Systems

Implement control measures on system development, acquisition and maintenance, information system processing, computer equipment and system software, network system security, etc. Confirm that all operations comply with information security and regulatory requirements.

2. Personal and Confidential Information Management

(1) According to the Company's "Personal Data Security Maintenance and Management Measures", the custody, distribution, transmission and maintenance of personal assets are strictly controlled to maintain the Company's operational safety and interests. It also strengthens the Company's competitive advantage and controls of core technology and business information.

(2) During the education and training for newcomer colleagues regarding the management regulations, the Company will trengthen its publicity and explanation.

3.The Company has good control over the overall planning of the information system, software and hardware construction and maintenance, database backup and restore exercises, and system security protection and control. In the mean time, it will continue to implement server virtualization. By reducing the number of physical servers, the results of environmental protection, energy saving and maintenance cost reduction can be achieved, and disaster prevention, security, monitoring, notification mechanisms, exception management and backup can also be strengthened.

4. Implement security education and training and regularly conduct disaster recovery drill practice.

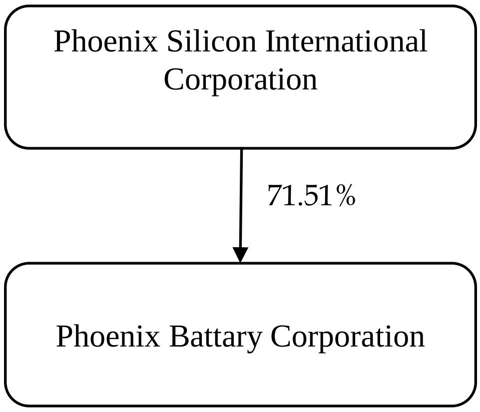
Ⅶ.Other Major Events: None.

Ⅷ.Special Disclosure

Ⅰ. Profiles of the affiliates

(Ⅰ) Consolidated Business Report of Affiliated Businesses

1. Organizational chart of associates



2. Basic information of each affiliated businesses

Company name	Date of establishment	Address	Paid-in Capital	Main business
Phoenix Battary Corporation	Feb 22, 2017	3F, No. 8, Li-Hsin Road, Science Park, Hsinchu 300, Taiwan, R.O.C.	NT$351,000 thousand	lithium ion battery for energy storage.

3. Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

4. Industries covered by the business scope of all associates：

a. Research, design, manufacture, and sales of reclaim wafer, test wafer, product wafer, solar cell, lithium ion battery for energy storage.

b. Operate concurrently the import and export trade business related to the Company's business.

5. Information on directors, supervisors and presidents of associates

December 31, 2019

Company name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Phoneix battary corporation.	Director	Phoenix Silicon International Corporation	25,100,000	71.51%
		Representatives:：Mike Yang	152,957	0.44%
		Representatives:：Cheng Wen Cheng	-	-
		Representatives:：Huang Shin Chin	222	0.00%
	Director	An Grace Investment Corporation Ltd.	2,742,255	7.81%
		Representatives:：MA,CHI-TSENG	-	-
	Director	YU,CHIEN-TSAI	-	-
	Supervisor	Lin Kwo Feng	104,446	0.30%
	President	YANG,MO-HUA	-	-

6. Operational overview of associates:

December 31, 2019；Unit: NT$ Thousand

Company name	Currency	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	loss for the current period
Phoneix battary corporation	NTD	357,630	233,636	123,994	188,994	(57,187)	(52,885)

(Ⅱ)Combined Financial Statements of Affiliated Enterprises: The entities that are required to be included in the combined financial statements of the Company for2019 (January 1 to December 31, 2019) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.27, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

(Ⅲ) Affiliation Reports: Not applicable.

Ⅱ.Private Placement Securities in the Most Recent Years: None.

Ⅲ.The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years: None.

Ⅳ.Other Necessary Supplement:：None.

IX、**Any Events that Had Significant Impacts**

Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Phoenix Silicon International Corporation and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Phoenix Silicon International Corporation and Subsidiaries

Representative:：Mike Yang

February 25, 2020.

REPORT OF INDEPENDENT ACCOUNTANTS

(109) Financial Report No. 19002882

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation

Opinion

We have audited the accompanying consolidated sheets of Phoenix Silicon International Corporation and subsidiaries (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 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(IFRS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations(SIC) endorsed and issued into effect by the Financial Supervisory Commission of Republic of China.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Accountant's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China (the "Norm"), 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 judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of 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 for the year ended December 31, 2019 are stated as follows:

Evaluation of inventories

Description

Please refer to Note 4 (11) of the consolidated financial report for the accounting policy of evaluation inventories. Please refer to 5(2)1 for the uncertainty of accounting estimates and assumptions applied in inventory valuation. Please refer to Notes 6(4) of the consolidated financial report for the accounting account descriptions of inventories.

The lithium ion battery products produced by the Group's energy division had to be actively promoted in the market so that the risk of loss on market value decline or obsolescence is higher. Inventories of Group are measured at the lower of cost and net realizable value method. The net realizable value often involves with subjective judgments.

In consider the energy division of inventories evaluation results would have a significant impact on financial statements, therefore, we consider the evaluation of inventories as one of the key audit matters.

How our audit addressed the matter

Our key audit procedures performed in respect of the above area included the following：

Obtained an understanding of accounting policies on the provision of allowance for inventory valuation losses and validated the accuracy of inventory aging report, as well as sampled and confirmed the consistency of quantities and amounts with detailed inventory listings, verified the dates of movements with supporting documents and ensured the proper categorization of inventory aging report. Evaluated and confirmed the reasonableness of net realizable value for inventories through validating respective supporting documents.

Audit of increase of property, plant and equipment (PP&E)

Description

Please refer to Note 4 (12) of the consolidated financial report for the accounting policy of property, plant and equipment. Please refer to Notes 6(5) of the consolidated financial report for the accounting account descriptions of property, plant and equipment.

Phoenix Group mainly provides the professional processing for semiconductor wafer, such as recycling, thinning and the others. Consider the group's capital expenditures have been increasing tremendously in this year, we listed the accounting policy of property, plant and equipment as one of the key audit matters.

How our audit addressed the matter

Evaluate and test the effectiveness of relevant internal controls related to the addition and depreciation of property, plant and equipment. Validate the relevant purchase orders, invoices, etc. to confirm that transactions have been properly approved and booked with correct amount. Validate the acceptance report to confirm whether the assets are actually available for use and booked in the catalog of fixed assets at the appropriate time, and whether the depreciation calculations have been correctly started.

Other Matter - the Parent Company Only Financial Statements

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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 for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Li, Tien-Yi Xie, Zhi-Zheng

For and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2020

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

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

Phoenix Silicon International Corporation and Subsidiaries
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)	$ 1,811,396	34	$ 864,173	26
1110	Financial assets at fair value through profit or loss	6(2)	1,327	-	130	-
1140	Contract assets-current	6(18)	171,059	3	83,876	2
1150	Notes receivable	6(3)	156	-	9,555	-
1170	Accounts receivable	6(3)	354,606	7	384,297	12
1200	Other receivables		24,644	-	1,205	-
130X	Inventories	6(4)	245,558	5	193,595	6
1410	Prepayments		13,041	-	19,463	1
1470	Other current assets	8	4,736	-	5,609	-
11XX	**Total current assets**		2,626,523	49	1,561,903	47
	Non-current assets					
1600	Property, plant and equipment	6(5) and 8	2,388,908	44	1,536,209	47
1755	Right-of-use asset	6(6)	223,996	4	-	-
1780	Intangible assets		33,238	1	30,801	1
1840	Deferred income tax assets	6(24)	16,543	-	12,534	-
1900	Other non-current assets	8	117,965	2	169,052	5
15XX	**Total non-current assets**		2,780,650	51	1,748,596	53
1XXX	**Total assets**		$ 5,407,173	100	$ 3,310,499	100

(Continued)

Phoenix Silicon International Corporation and Subsidiaries
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 assets					
2100	Short-term borrowings	6(7) and 8	$ 36,346	1	$ 20,000	-
2120	Financial liabilities at fair value through profit or loss	6(8)	465	-	141	-
2130	Contract liabilities - current	6(18)	12,988	-	360	-
2170	Accounts payable		142,827	2	124,412	4
2200	Other payables	6(9)	426,987	8	287,840	9
2230	Current income tax liabilities		52,641	1	58,036	2
2250	Current provisions	6(13)	-	-	36	-
2280	Current lease liabilities		13,657	-	-	-
2320	Long-term liabilities-current portion	6(11)	366,572	7	224,392	7
2399	Other current liabilities		563	-	11,136	-
21XX	**Total current liabilities**		1,053,046	19	726,353	22
	Non-current liabilities					
2530	Bonds payable	6(10)	963,499	18	-	-
2540	Long-term borrowings	6(11) and 8	653,236	12	298,951	9
2550	Non-current rovisions	6(13)	21,615	-	21,702	-
2580	Non-current lease liabilities		212,138	4	-	-
2600	Other non-current liabilities		31,043	1	24,678	1
25XX	**Total non-current liabilities**		1,881,531	35	345,331	10
2XXX	**Total liabilities**		2,934,577	54	1,071,684	32
	Equity					
	Share capital	6(15)				
3110	Ordinary share		1,324,080	25	1,324,080	40
	Capital surplus	6(16)				
3200	Capital surplus		634,768	11	502,474	15
	Retained earnings	6(17)				
3310	Legal reserve		95,022	2	71,759	2
3350	Unappropriated retained earnings		383,400	7	290,109	9
31XX	**Total Owners' equity belongs to parent**		2,437,270	45	2,188,422	66
36XX	**Non-controlling interests**		35,326	1	50,393	2
3XXX	**Total equity**		2,472,596	46	2,238,815	68
	Significant contingent liabilities and unrecognized commitments	9				
	Significant disaster losses	10				
3X2X	**Total liabilities and equity**		$ 5,407,173	100	$ 3,310,499	100

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

Phoenix Silicon International Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
((Expressed in thousands of New Taiwan dollars), Except earnings per share)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(18)	$ 2,649,059	100	$ 2,121,873	100
5000	**Operating costs**	6(4、22、23)	(1,759,619)	(66)	(1,400,927)	(66)
5950	**Gross profit**		889,440	34	720,946	34
	Operating expenses	6(22、23)				
6100	Selling expenses		(62,214)	(2)	(71,666)	(3)
6200	General and administrative expenses		(244,257)	(9)	(203,291)	(10)
6300	Research and development expenses		(152,054)	(6)	(146,457)	(7)
6450	Expected credit gains	12(2)	(47)	-	17	-
6000	**Total operating expenses**		(458,572)	(17)	(421,397)	(20)
6900	**Operating income**		430,868	17	299,549	14
	Non-operating income and expenses					
7010	Other income	6(19)	4,896	-	5,541	-
7020	Other gains and losses	6(20)	886	-	(17,387)	(1)
7050	Finance costs	6(21)	(20,390)	-	(11,578)	-
7000	**Total non-operating income and expenses**		(14,608)	-	(23,424)	(1)
7900	**Profit before income tax, net**		416,260	17	276,125	13
7950	Income tax expense	6(24)	(99,232)	(4)	(77,240)	(4)
8200	**Net income for the year**		$ 317,028	13	$ 198,885	9
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(12)	($ 4,610)	-	$ 270	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(24)	922	-	245	-
8500	**Total comprehensive income (loss) for the year**		$ 313,340	13	$ 199,400	9
	Total net income for the year belong to:					
8610	Parent owners		$ 332,095	14	$ 232,634	11
8620	Non-controlling interests		(15,067)	(1)	(33,749)	(2)
	Total		$ 317,028	13	$ 198,885	9
	Total comprehensive income for the year belong to：					
8710	Parent owners		$ 328,407	14	$ 233,149	11
8720	Non-controlling interests		(15,067)	(1)	(33,749)	(2)
	Total		$ 313,340	13	$ 199,400	9
	Basic earnings per share	6(25)				
9750	**Basic earnings per share**		$ 2.51		$ 1.87	
	Diluted earnings per share	6(25)				
9850	**Diluted earnings per share**		$ 2.46		$ 1.85	

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

Phoenix Silicon International Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGESIN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

		Equity Attributable to Shareholders of the Parent						
				Retained Earnings				
	Notes	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Non-controlling interests	Total equity
Year ended December 31, 2018								
Balance at January 1, 2018		$ 1,168,280	$ 190,438	$ 55,048	$ 187,298	$ 1,601,064	$ -	$ 1,601,064
Retrospective approach adjustment		-	-	-	38,250	38,250	-	38,250
Balance at January 1, 2018-after restatement		1,168,280	190,438	55,048	225,548	1,639,314	-	1,639,314
Profit for the year		-	-	-	232,634	232,634	(33,749)	198,885
Other comprehensive income (loss) for the year		-	-	-	515	515	-	515
Total comprehensive income		-	-	-	233,149	233,149	(33,749)	199,400
Distribution of retained earnings of 2017:	6(17)							
Legal reserve		-	-	16,711	(16,711)	-	-	-
Cash dividends		-	-	-	(151,877)	(151,877)	-	(151,877)
Cash dividends from capital surplus	6(16)	-	(35,048)	-	-	(35,048)	-	(35,048)
Capital increase by cash –employee stock option	6(14、15)	-	8,787	-	-	8,787	-	8,787
Capital increase by cash	6(15、16)	155,800	322,439	-	-	478,239	-	478,239
Changes in subsidiaries accounted for using equity method	6(16、26)	-	15,858	-	-	15,858	(15,858)	-
Non-controlling interest increase by cash –the subsidiaries	6(26)	-	-	-	-	-	100,000	100,000
Balance at December 31, 2018		$ 1,324,080	$ 502,474	$ 71,759	$ 290,109	$ 2,188,422	$ 50,393	$ 2,238,815
Year ended December 31, 2019								
Balance at January 1, 2019		$ 1,324,080	$ 502,474	$ 71,759	$ 290,109	$ 2,188,422	$ 50,393	$ 2,238,815
Profit for the year		-	-	-	332,095	332,095	(15,067)	317,028
Other comprehensive income (loss) for the year		-	-	-	(3,688)	(3,688)	-	(3,688)
Total comprehensive income		-	-	-	328,407	328,407	(15,067)	313,340
Distribution of retained earnings of 2018:	6(17)							
Legal reserve		-	-	23,263	(23,263)	-	-	-
Cash dividends		-	-	-	(211,853)	(211,853)	-	(211,853)
Corporate Bond Issuance	6(16)	-	132,294	-	-	132,294	-	132,294
Balance at December 31, 2019		$ 1,324,080	$ 634,768	$ 95,022	$ 383,400	$ 2,437,270	$ 35,326	$ 2,472,596

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

Phoenix Silicon International Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 416,260	$ 276,125
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5、6、22)	372,095	329,543
Amortization	6(22)	14,602	10,594
Expected credit gains	12(2)	47	(17)
Loss on financial assets at fair value through profit or loss	6(2、8、20)	(1,072)	583
Interest expense	6(21)	20,390	11,578
Interest income	6(19)	(3,526)	(2,590)
Share-based Payment reward	6(14)	-	8,787
Gain or loss on disposals of property, plant and equipment	6(20)	(83)	2,290
Fire loss on disposals of property, plant and equipment	6(20) and 10	-	29,296
Reversal gain of impairment loss	6(5、20)	-	(17)
Provision of liabilities		(1,220)	(1,480)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		(87,183)	12,040
Accounts note		9,399	(5,979)
Accounts receivable		29,644	(71,299)
Other receivables, net		(23,355)	554
Inventories		(51,963)	8,459
Prepayments		6,422	(10,100)
Other current assets		3,873	(4,653)
Changes in operating liabilities			
Contract liabilities		12,628	(2,147)
Accounts payable		-	(851)
Inventories		18,415	35,253
Other payables		74,866	42,237
Other current liabilities		(10,609)	6,378
Net defined benefit liability		(526)	(487)
Long-term payable		1,909	1,722
Other non-current liabilities		-	(73,997)
Cash inflow generated from operations		801,013	601,822
Interest received		3,442	2,525
Interest paid		(16,989)	(10,646)
Income tax paid		(107,714)	(54,949)
Net cash flows from operating activities		679,752	538,752

(Continued)

Phoenix Silicon International Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(28)	($ 1,096,815)	($ 369,193)
Proceeds from disposal of property, plant and equipment		1,329	15
Acquisition of intangible assets		(13,152)	(10,866)
Increase in Refundable Deposits		(36,906)	(189)
Decrease in Refundable Deposits		35,165	4,527
Other current financial assets		(3,000)	-
Other financial assets – non current		(1,500)	(2,319)
Net cash flows used in investing activities		(1,114,879)	(378,025)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of Short-term Borrowings	6(29)	98,410	20,000
Decrease of Short-term Borrowings	6(29)	(82,064)	(10,000)
Issuance of Convertible Corporate Bonds	6(29)	1,094,015	-
Increase in long-term borrowings	6(28)	838,880	152,300
Repayment of long-term borrowings	6(29)	(342,415)	(373,289)
Increase in guarantee deposits received	6(29)	555	242
Decrease in guarantee deposits received	6(29)	(183)	(18)
Redemption of lease liabilities	6(29)	(12,995)	-
Cash dividends paid (Cash dividends paid from capital surplus)	6(17)	(211,853)	(186,925)
Capital increase by cash		-	478,239
Non-current equity of subsidiary capital increase by cash		-	100,000
Net cash flows used in financing activities		1,382,350	180,549
Net increase in cash and cash equivalents		947,223	341,276
Cash and cash equivalents at beginning of year	6(1)	864,173	522,897
Cash and cash equivalents at end of year	6(1)	$ 1,811,396	$ 864,173

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

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Phoenix Silicon International Corporation (the "Company") was incorporated in March 1997 and commenced its operations in June 1998. The Company is engaged in the research, design, manufacture, and sales of reclaim wafer, test wafer, product wafer, solar cell, lithium ion battery for energy storage.

In order to improve competitiveness and business performance, the Company has carried out specialization and reorganization procedures. On March 7, 2017, organizational adjustments approved by the Board of Directors to sell the related business (including assets and liabilities) of an existing energy division of the Company to Phoenix Battery Corporation a 100% -owned subsidiary. Phoenix Battery Corporation would issue new shares as consideration for the transfer of business. The base date of sell was July 1, 2017. The Company completed the first cash increase and the registration of increase after the transfer of business was completed on January 24, 2018.

The Company and its subsidiaries collectively referred herein as the "Group".

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 25, 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 ("IFRSs") 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 'Lease'	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.

The quantitative impact will be disclosed when the assessment is complete.

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). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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' and lease liability by $235,598 and $235,598 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) Exclude initial direct costs from the measurement of the right-of-use asset.

(d) The use of hindsight in determining the lease term which the Group assessing to exercise an extension option or not to exercise a termination option.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.49%~2%.

E. The Group recognized 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 recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 200,703
Add: Lease payable recognized under finance lease by applying IAS 17 as at December 31, 2018	87,333
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	$ 288,036
Incremental borrowing interest rate at the date of initial application	1.49~2%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	$ 235,598

(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 IFRS 7 of 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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current'	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 parent company only 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 (including derivative instruments) at fair value through profit or loss.

(b) 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 parent company only financial statements are disclosed in Note 5.

(3) <u>Basis of consolidation</u>

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 noncontrolling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership % December 31, 2019	Ownership % December 31, 2018	Note
Phoenix Silicon International Corporation	Phoenix Battery Corporation	battery manufacturing	71.51%	71.51%	

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:

As of December 31, 2019 and December 31, 2018, the Group's total non-controlling interests with amounts of NTD $ 35,326 and NTD $ 50,393, respectively. Information at Subsidiaries that have non-controlling interests that are material to the Group were as follows:

Name of subsidiary	Main Operating Location	Non-controlling interests December 31, 2019 Amount	December 31, 2019 Ownership	December 31, 2018 Amount	December 31, 2018 Ownership	Note
Phoenix Battery Corporation	Taiwan	$ 35,326	28.49%	$ 50,393	28.49%	None

The financial information for each class of the subsidiaries is detailed below:

THE BALANCE SHEET

	Phoenix Battery Corporation December 31, 2019	Phoenix Battery Corporation December 31, 2018
Current assets	$ 191,615	$ 225,098
Non-current assets	166,015	111,430
Current liabilities	(135,502)	(109,578)
Non-current liabilities	(98,134)	(50,071)
Total assets, net	$ 123,994	$ 176,879

COMPREHENSIVE INCOME

	Phoenix Battery Corporation Year ended 2019	Phoenix Battery Corporation January 24~ December 31, 2018
Income	$ 188,994	$ 120,973
Loss before income tax, net	(52,885)	(118,459)
Income tax expense	-	-
Net loss for the year	(52,885)	(118,459)
Other comprehensive income or loss for the	-	-

year(After income tax, net)		
Total comprehensive income (loss) for the year	($ 52,885)	($ 118,459)
Total comprehensive income (loss) belong Non-current assets	($ 15,067)	($ 33,749)

CASH FLOWS

	Phoenix Battery Corporation	
	Year ended 2019	January 24~ December 31, 2018
Net cash flows from operating activities	($ 29,478)	$ 516
Net cash flows used in investing activities	(71,560)	(49,178)
Net cash flows used in financing activities	42,416	64,442
Net decrease in cash and cash equivalents	(58,622)	15,780
Cash and cash equivalents at beginning of year	101,136	85,356
Cash and cash equivalents at end of year	$ 42,514	$ 101,136

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars, which is the Group'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 recognized 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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. All other foreign exchange gains and losses based on the nature of those transactions 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 realized, 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 realized 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.

All assets that do not meet the above criteria are classified as non-current assets.

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.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized 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 recognized and derecognized using trade 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.

(8) Accounts and notes receivable

A. Accounts 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.

(9) Impairment of financial assets

The Group has assessed the debt instrument investments measured at amortized cost and accounts receivable or contract assets that contain significant financial components during each balance sheet date. If all of the reasonable and corroborative information (including perspective data) did not significantly increase the credit risk after the initial recognition, the allowance loss was measured via the 12-month expected credit loss amount. If there is a significant increase of credit risk after the initial recognition, the allowance loss is measured by the amount of expected credit loss during the period of existence. For accounts receivable or contract assets that do not contain significant financial components, allowance losses are measured via the amount of expected credit losses over the life of the deposit.

(10) Derecognition of Financial Assets

The Group shall derecognize financial assets when one of the following conditions is met:

A. Contractual rights to receive cash flows from financial assets have lapsed.

B. The contractual rights to receive cash flows from financial assets have been transferred, and almost all the risks and rewards of ownership of the financial assets have been transferred.

C. Transfer of contractual rights to receive cash flows from financial assets, but does not retain control over such financial assets.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct laboaur, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) 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 recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. 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 the fixed assets are as follows:

Buildings and structures	4 to 51 years
Machinery and equipment	2 to 10 years

Vehicles	5 to 6 years
Office equipment	3 to 6 years
Leases improvement	2 to 20 years
Leases assets	6 years
Other fixed assets	3 to 6 years

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

Effective 2019

A. Leases are recognized 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 recognized 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 incremental borrowing interest rate. Lease payments are comprised fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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 amount of the initial measurement of lease liability.

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 recognized as an adjustment to the right-of-use asset.

Right-of-use assets are initially measured at cost, which includes:

(a) The cost originally measured for the lease liability, and

(b) Any original direct costs incurred before lease asset is available for using.

The following measurements will adopt cost model. The lease asset will be depreciated based on the period which is lower between the durability of the asset and the maturity of the leasing. The right-of-use asset will be adjusted by any possible change of the original measurements when the lease liability is reassessed.

(14) Leases assets /Operating leases (lessee)

Effective 2018

The payment of operating leases is deducted from any incentives received by the lessor, amortized using the straight-line method over the lease term, and recognized as current profit or loss.

(15) Intangible assets

A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other Intangible assets mainly are expenditure for laying electrical wires and cables etx.is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(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 recognized 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 recognized.

(17) Borrowings

Refers to borrowings of long-term, of short-term from bank and other borrowings of long-term, of short-term. When the original recognition is based on the fair value less the trade costs, any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in profit or loss using the effective interest method during the circulation period according to the amortization procedure.

(18) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services are those resulting from 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) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:

(a) Is a mixed (combined) contract; or

(b) Eliminate or significantly reduce the measurement inconsistencies; or

(c) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Convertible Corporate Bonds Payable

The convertible corporate bonds issued by the Group shall be embedded with a conversion right (i.e., the holder can choose to convert them into the ordinary shares of the Group, and convert a fixed amount into a number of shares). At the initial issuance, the issue price shall be classified into financial assets, financial liabilities, or equity according to the conditions of issuance and be handled as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.

B. The host contract of corporate bonds: During original recognition, the difference between the fair value measured and the redemption value shall be recognized as payable corporate premium/discount. Subsequently, the effective interest method by amortization procedure shall be adopted during the circulation period to be recognized as profit or loss, and treated as an adjustment item for "financial costs."

C. Embedded conversion rights (in accordance with the definition of equity): At the time of the original recognition, the residual value after the issuance amount deducted the aforesaid "financial assets at fair value through profit or loss" and "corporate bonds payable" shall be listed as the "capital reserve - stock option." No subsequent re-measurement shall be provided.

D. Any transaction costs directly attributable to the issuance shall be allocated to the various liability and equity components according to the various original book value ratio components as described above.

E. When a holder converts, the liability component of the account (including "corporate bonds payable" and financial assets or liabilities at fair value through profit or loss, designated as upon initial recognition) shall be handled according to the subsequent measurement method for its category. Then the aforesaid liability component book value plus the "capital reserve - stock option" book value shall serve as the issuance cost for the ordinary share conversion.

(21) Derecognition of financial liabilities

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

(22) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(23) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation, the discounted amortization is recognized as interest expense. No future operating losses shall be recognized as a liability reserve.

(24) 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 recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized 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 recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

III. The past service cost related expenses shall immediately be recognized as profits or losses.

(c) Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized 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. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 Group 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only 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 nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized 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, unrecognized and recognized deferred tax assets are reassessed.

E. If a change in tax rate is enacted or substantively enacted, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(27) Share capital

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

(28) Dividends

Dividends are recorded in the Group’s financial statements in the period in which they are resolved by the Group’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.

(29) Income Recognition

A. Sales of goods

(a) The Group manufactures and sells semiconductor wafer and lithium ion battery related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, 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 wholesaler, and either the wholesaler 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) The Group provides standard warranty on the products sold, and has the obligation to maintain the products. The liabilities are recognized when the goods are sold.

(c) Accounts receivable are recognized when the goods are delivered to the customer. Since the Group has unconditional rights to the contract price from that point on time, it is only necessary to collect the consideration from the customer when the time comes.

B. Service revenue

The Group provides semiconductor foundry and related services. The Group considers:

(a) Customer controls the provided raw materials and the Group receives the instruction from the customer on providing process services and subsequent treatments。

(b) The Group provides process services to create or enhance an asset which solely provided and controlled by the customer. The Group has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Group recognizes process services revenue based on the progress towards completion of performance obligation during the service period.

The degree of completion for the Group 's process service shall be determined based on the actual service cost that have occurred over the total service cost.

The Group provides process services according to the customers' specifications. So the service cost required for the investment is not incurred on average during the service period. The Group believes that it is appropriate to measure the completion of the performance obligations for the customers in the manner described above. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognized as a contract assets when the services provided by the Group exceed the customer's payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Group.

C. Segment of Financial components

Some of contracts the Group commits to transfer merchandises or services to customers, and customers although make payments within one year. Therefore, the Group does not adjust the transaction price in order to reflect the monetary time value.

(30) <u>Operating segments</u>

Operating segments are reported in a manner consistent with the internal reporting provided to theChief 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 realizable value, the Group must determine the net realizable 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 realizable 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 $245,558.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 574	$ 586
Check deposit	1,270	578
Demand deposit	782,052	527,609
Deposit account	1,027,500	335,400
Total	$ 1,811,396	$ 864,173

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. Pledged deposit account information is provided in other non-current assets Note 8.

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

Item	December 31, 2019	December 31, 2018
Current Items:		
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	$ 1,327	$ 130

A. The breakdown of financial assets measured at fair value through profit or loss recognized as profit (or loss) is as follows:

	2019	2018
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	$ 3,548	$ 1,498

B. The transactions and contracts information of the derivative financial assets undertaken by the Group not under hedge accounting were as follows:

	December 31, 2019		
Non-hedging derivative assets	Contract amount (Notional amount)		Contract period
Current items：			
Forward exchange contracts	USD	4,000	Dec. 25, 2019 ~Feb. 7, 2020

	December 31, 2018		
Non-hedging derivative assets	Contract amount (Notional amount)		Contract period
Current items：			
Forward exchange contracts	USD	3,200	Dec. 25, 2018 ~Feb.15, 2019

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The Group did not apply hedge accounting treatment for these derivative contracts.

C. For information on the credit risk of financial assets measured by fair value through profit or loss, please refer to Note 12 (2).

(3) Accounts and notes receivable

	December 31, 2019		December 31, 2018	
Accounts notes	$	156	$	9,555
Accounts receivable		354,653		384,297
Less: Allowance for bad debts	(	47)		-
	$	354,606	$	384,297

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2019				December 31, 2018			
	Accounts receivable		Accounts note		Accounts receivable		Accounts note	
Not past due	$	350,887	$	156	$	381,030	$	9,555
Up to 30 days		3,447		-		2,761		-
Past due 31-90 days		132		-		506		-
Past due 91-180 days		187		-		-		-
	$	354,653	$	156	$	384,297	$	9,555

The above aging analysis is based on past due date.

B. As of December 31, 2019 and December 31, 2018 notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $316,557.

C. The Group has no accounts receivable pledged to others.

D. Without considering the collateral held or other credit enhancements, the maximum credit risk amounts representing the Group's accounts note in 2019 and as of December 31, 2018 are $156 and $9,555 respectively, the maximum credit risk amounts representing the Group's accounts receivable in 2019 and as of December 31, 2018 are $354,606 and $384,297 respectively.

E. As of December 31, 2019 and December 31, 2018, the Group held commercial promissory notes provided by customers as collateral for credit receivables with amounts of $ 11,000 and $ 10,000, respectively.

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

(4) Inventories

	December 31, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Merchandise	$ 12,926	($ 451)	$ 12,475
Raw materials	175,936	(32,679)	143,257
Work in process	26,597	(2,953)	23,644
Finished goods	128,806	(62,624)	66,182
Total	$ 344,265	($ 98,707)	$ 245,558

	December 31, 2018		
	Cost	Allowance for obsolescence and market value decline	Book value
Merchandise	$ 130	$ −	$ 130
Raw materials	159,108	(30,590)	128,518
Work in process	15,241	(3,329)	11,912
Finished goods	113,048	(60,013)	53,035
Total	$ 287,527	($ 93,932)	$ 193,595

Operating costs incurred on inventories for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost of inventories sold	$ 1,767,294	$ 1,422,695
Inventories for retirement loss	−	7,876
Inventories for valuation loss (reversal gain) (Note)	4,775	(24,001)
Gain from disposal of scrap material	(935)	(694)
Others	(11,515)	(4,949)
	$ 1,759,619	$ 1,400,927

Note：Inventories of valuation provision was partial disposal at 2018 cause of the fire accident occur at prophase, that result loss on inventories valuation reversal to costs on sales. Please refer to Note 10 of loss on fire disaster.

(5) Property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased improve	Leased assets	Others	Equipment under Installation and construction in progress	Total
January 1, 2019									
Cost	$ 1,185,138	$ 2,194,289	$ 8,117	$ 33,090	$ 34,849	$ 538	$ 53,716	$ 149,165	$ 3,658,902
Accumulated depreciation	(408,976)	(1,625,174)	(7,268)	(22,239)	(26,494)	(411)	(32,131)	-	(2,122,693)
	$ 776,162	$ 569,115	$ 849	$ 10,851	$ 8,355	$ 127	$ 21,585	$ 149,165	$ 1,536,209
2019									
Opening net book amount	$ 776,162	$ 569,115	$ 849	$ 10,851	$ 8,355	$ 127	$ 21,585	$ 149,165	$ 1,536,209
Additions	156,495	808,554	3,315	6,710	12,556	-	28,059	199,444	1,215,133
Disposals	(143)	(481)	-	-	(148)	-	(474)	-	(1,246)
Reclassifications	1,897	119,011	-	-	6,923	-	1,237	(132,955)	(3,887)
Depreciation	(80,859)	(258,668)	(498)	(4,733)	(4,040)	(90)	(8,413)	-	(357,301)
Closing net book amount	$ 853,552	$ 1,237,531	$ 3,666	$ 12,828	$ 23,646	$ 37	$ 41,994	$ 215,654	$ 2,388,908
December 31, 2019									
Cost	$ 1,342,948	$ 3,115,196	$ 10,646	$ 39,154	$ 52,094	$ 538	$ 81,167	$ 215,654	$ 4,857,397
Accumulated depreciation	(489,396)	1,877,665)	(6,980)	(26,326)	(28,448)	(501)	(39,173)	-	(2,468,489)
	$ 853,552	$ 1,237,531	$ 3,666	$ 12,828	$ 23,646	$ 37	$ 41,994	$ 215,654	$ 2,388,908

	Buildings	Machinery And Equipment	Transportation equipment	Office equipment	Leased improve	Leased assets	Others	Equipment under Installation and construction in Progress	Total
January 1, 2018									
Cost	$ 1,078,941	$ 2,157,759	$ 7,607	$ 25,898	$ 41,523	$ 538	$ 47,162	$ 95,702	$ 3,455,130
Accumulated depreciation	(336,354)	(1,470,459)	(6,581)	(18,548)	(28,138)	(321)	(29,129)	-	(1,889,530)
Accumulated impairment	-	(1)	-	-	-	-	(16)	-	(17)
	$ 742,587	$ 687,299	$ 1,026	$ 7,350	$ 13,385	$ 217	$ 18,017	$ 95,702	$ 1,565,583
2018									
Opening net book amount	$ 742,587	$ 687,299	$ 1,026	$ 7,350	$ 13,385	$ 217	$ 18,017	$ 95,702	$ 1,565,583
Additions	96,655	107,517	510	4,749	1,196	-	10,985	113,274	334,886
Disposals	-	(24,950)	-	-	(3,832)	-	(1,369)	(1,450)	(31,601)
Reclassifications	9,542	40,996	-	2,560	1,320	-	810	(58,361)	(3,133)
Depreciation	(72,622)	(241,748)	(687)	(3,808)	(3,714)	(90)	(6,874)	-	(329,543)
Impairment loss reversed	-	1	-	-	-	-	16	-	17
Closing net book amount	$ 776,162	$ 569,115	$ 849	$ 10,851	$ 8,355	$ 127	$ 21,585	$ 149,165	$ 1,536,209
December 31, 2018									
Cost	$ 1,185,138	$ 2,194,289	$ 8,117	$ 33,090	$ 34,849	$ 538	$ 53,716	$ 149,165	$ 3,658,902
Accumulated depreciation	(408,976)	(1,625,174)	(7,268)	(22,239)	(26,494)	(411)	(32,131)	-	(2,122,693)
	$ 776,162	$ 569,115	$ 849	$ 10,851	$ 8,355	$ 127	$ 21,585	$ 149,165	$ 1,536,209

A. There are no capitalisation of interest case on the year 2019 and 2018.

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

(6) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land and transportation equipment. Rental contracts are made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. Except that the leased assets cannot be used as loan guarantees, no other restrictions are imposed.

B. The period of the employee dormitory leased by the Group does not exceed 12 months, and the leased underlying assets that are low value are accounted for facilities and other equipment.

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

	December 31, 2019		2019	
	Carrying amount		Depreciation expenses	
Land	$	201,522	$	7,180
Building		20,317		6,579
Transportation equipment		2,157		1,035
	$	223,996	$	14,794

D. For the year ended December 31, 2019, additions to right-of-use assets was $3,192.

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

	2019	
Items affecting profit or loss		
Interest expense on lease liabilities	$	3,684
Expense on short-term lease contracts		4,768
Expenses for lease of low-value assets		381

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was $21,828.

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Short-term Loans

Type of loans	December 31, 2019		Interest rate range	Collateral
Bank Loans				
Secured Loans	$	6,346	3.54%	Reserve account and guarantee of credit guaranteed fund
Secured Loans(Note)		20,000	2.00%	Guarantee of credit guaranteed fund
Unsecured Loans		10,000	2.5%	None
	$	36,346		

Type of loans	December 31, 2018	Interest rate range	Collateral
Bank loans			
Unsecured Loans(Note)	$ 20,000	2.00%	None

A. As of December 31, 2019 and 2018, the interest expense recognized in profit or loss amounted to NT$671 and NT$218, respectively.

B. Please refer to Note 8 of secured loans of collateral.

Note: Accordance with the contractual arrangements sign by subsidiaries Phoenix Battery Corporation, the parent's ownership not be allowed less than 65% within duration of loan.

(8) Financial liabilities at fair value through profit or loss – current

Item	December 31, 2019	December 31,2 018
Current items：		
Financial liabilities held for trading derivative instruments	$ 165	$ 141
Financial liabilities designation as at fair value through profit or loss		
Convertible Bond	200	-
Evaluation adjustment	100	-
Subtotal	300	-
Total	$ 465	$ 141

A. The breakdown of financial liabilities measured at fair value through profit or loss recognized as profit (or loss) is as follows：

	2019	2018
recognized net profit(loss)：		
Financial liabilities held for trading Derivative instruments	($ 2,756)	($ 4,300)
Financial liabilities designation as at fair value through profit or loss		
Convertible Bond	(100)	-
Total	($ 2,856)	($ 4,300)

B. The non-hedging derivative instruments transaction and contract information as follows：

Non-hedging derivative liabilities	December 31, 2019 Contract amount (Notional Amount)	December 31, 2019 Contract period	December 31, 2018 Contract amount (Notional Amount)	December 31, 2018 Contract period
Current items：				
Forward exchange contracts	USD 2,000	2020.1.22~ 2020.2.7	USD 3,800	2018.12.25~ 2019.3.8

The Group signed forward exchange and foreign exchange swaps to hedge foreign exchange risk from the prices of imports and exports; however, the Group did not apply hedge accounting.

(9) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries	$ 117,828	$ 105,003
Payables for Employees' compensation and directors'	92,865	63,468
Payables on equipment	107,184	43,193
Payables for maintenance	24,495	16,356
Other payable overheads	84,615	59,820
Total	$ 426,987	$ 287,840

(10) Corporate bonds payable

	December 31, 2019	December 31, 2018
Corporate bond payable	$ 1,000,000	$ -
Discount on corporate bond payable	(36,501)	-
	$ 963,499	$ -

A. Domestic conversion of corporate bonds issued by the Group

(a) Issuance conditions for the first unsecured conversion of corporate bonds in the Group are as follows:

The Group is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of $1,000,000 at the coupon rate of 0%, for an issuance period of 3 years, circulation period from November 13, 2019 to November 13, 2022. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of November 13, 2019.

(b) The corporate bonds held by the Group shall be converted into ordinary shares of the Group from three months after the bond issuance by the Group until the maturity date. The converted new shares have the same rights and obligations as the ordinary shares of the Group.

(c) The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the Group in accordance with the pricing model stipulated in the conversion method. The conversion price will be re-determined on the base date according to the pricing model stipulated in the conversion method.

(d) Bondholders can require the company to buy back the conversion company bonds at 0.5001% interest compensation rate on the face value of the bonds after holding them over two years.

(e) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the Company's common shares exceeds 30% of the current conversion price for

30 consecutive business days, the Company has rights to buy back all its bonds in cash at the face value of the bonds within thirty business days thereafter.

(f) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the Company's common shares is lower 10% of the current conversion price for 30 consecutive business days, the Group has rights to buy back all its bonds in cash at the face value of the bonds any time thereafter.

(g) According to the conversion method, all of the corporate bonds recovered (including those bought back from the Taipei Exchange), repaid, or converted shall be written off by the Group; and all rights and obligations that are attached to corporate bonds will also be reduced and will not be issued.

B. When issuing convertible corporate bonds, the Group shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" $132,294. The other embedded buying and selling rights, according to IAS 9 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities, so it is separated and treated with its net account "financial liabilities-flows measured at fair value through profit and loss". The effective interest rate for the separation of COR contractual obligations is 1.56%.

(11) Long-term borrowings

Nature of Loan	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Factory loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 25, 2019 to Apr. 25, 2022	Floating rate	Building	$ 188,000
Factory loan	Repayment by installments throughout the agreed upon period from Feb. 13, 2015 to Dec, 8, 2027	Floating rate	Building	231,386
Medium-term secured loan(Note1)	Repayment by installments throughout the agreed upon period from Apr. 15, 2019 to Aug. 14, 2024	Floating rate	Machinery and equipment	269,750
Medium-term secured loan(Note2)	Repayment by installments throughout the agreed upon period from Dec. 20, 2018 to Dec. 20, 2024	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	50,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Jul. 5, 2017 to Jul. 5, 2020	Floating rate	Machinery and equipment	12,000
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Nov. 28, 2017 to Nov. 28, 2020	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	5,775
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Sep. 28, 2018 to Sep. 28, 2023	Floating rate	Guarantee of credit guaranteed fund	15,253
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jul. 12, 2018 to Jul, 8, 2022	Floating rate	None	225,000
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Mar. 30, 2018 to Mar, 30, 2021	Fixed rate	None	22,644
				1,019,808
Less: Current portion				(366,572)
				$ 653,236
Interest rate range				1.35%~3.57%

Nature of Loan	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Factory loan	Repayment by installments throughout the agreed upon period from Feb. 13, 2015 to Dec, 8, 2027	Floating rate	Building	$ 243,729
Medium-term secured loan(Note2)	Repayment by installments throughout the agreed upon period from Dec. 20, 2018 to Dec. 20, 2024	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	12,075
Medium-term secured loan	Repayment by installments throughout the agreed upon period from May 23, 2017 to Jul. 5, 2020	Floating rate	Machinery and equipment	77,800
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Nov. 28, 2017 to Nov. 28, 2020	Floating rate	Machinery and equipment and Guarantee of credit guaranteed fund	26,500
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Sep. 28, 2018 to Sep. 28, 2023	Floating rate	Guarantee of credit guaranteed fund	1,770
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jul. 5, 2017 to Jul. 12, 2020	Floating rate	None	143,375
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Mar. 30, 2018 to Sep. 28, 2023	Fixed rate	None	18,094
				523,343
Less: Current portion				(224,392)
				$ 298,951
Interest rate range				1.47%~3.57%

Information about pledged to others as collateral is provided in Note 8.

Note1：Accordance with the contractual arrangements, the group should maintained half years of designated net debt ratio and interest repayments ability within duration of loan.

Note2：Accordance with the contractual arrangements sign by subsidiaries Phoenix Battery Corporation, the parent’s ownership not be allowed less than 65% within duration of loan.

(12) Pension

A.

(a) The Group has a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 Group contributes 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 Group 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 Group will make contributions for the deficit by next March.

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 39,226	$ 34,347
Fair value of plan assets	(19,113)	(18,318)
Net defined benefit liability	$ 20,113	$ 16,029

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

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	$ 34,347	($ 18,318)	$ 16,029
Current service cost	88	-	88
Interest (expense) income	472	(257)	215
	34,907	(18,575)	16,332
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	(617)	(617)
Change in demographic assumptions	948	-	948
Change in financial assumptions	2,709	-	2,709
Experience adjustments	1,570	-	1,570
	5,227	(617)	4,610
Pension fund contribution	-	(829)	(829)
Paid pension	(908)	908	-
December 31	$ 39,226	($ 19,113)	$ 20,113

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 35,913	($ 19,176)	$ 16,737
Current service cost	93	-	93
Interest (expense) income	494	(269)	225
	36,500	(19,445)	17,055
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(506)	(506)
Change in demographic assumptions	2,080	-	2,080
Experience adjustments	(1,845)	-	(1,845)
	235	(506)	(271)
Pension fund contribution	-	(755)	(755)
Paid pension	(2,388)	2,388	-
At December 31	$ 34,347	($ 18,318)	$ 16,029

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the fund's annual investment and Remeasurements: plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset 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 Utilisation Report announced by the government.

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

	2019	2018
Discount rate	0.875%	1.375%
Future salary increases	3.500%	3.500%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2019 and 2018.

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	($ 1,399)	$ 1,468	$ 1,409	($ 1,350)
December 31,2018				
Effect on present value of defined benefit obligation	($ 1,253)	$ 1,316	$ 1,269	($ 1,215)

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 $871.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 14.8 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 294
1~2 years	221
2~5 years	7,491
5~10 years	5,556
	$ 13,562

B.

(a) Effective July 1, 2005, the Group has 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 Group contributes 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 $26,380 and $21,777, respectively.

(13) Provision

	Warranty	Decommissioning liabilities	Total
2019			
January 1	$ 453	$ 21,249	$ 21,702
New of provisions	496	-	496
Use of provisions	-	(1,716)	(1,716)
Discounting of amortization	-	1,133	1,133
December 31	$ 949	$ 20,666	$ 21,615

The analysis of provisions was as follows:

	December 31, 2019	December 31, 2018
Non-current	$ 21,615	$ 21,702

A. warranty

The Group's provision of warranty based on the historical warranty information of the product mainly related to energy division products selling.

B. Decommissioning liabilities

In accordance with the applicable agreements or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain base stations in the future. Provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. The Group expects those liabilities will occur in the next 2 to 20 years.

(14) Share-based payment

The Group used to issue 15,580 ordinary thousand shares to increase the capital through market auctions before the initial listing. In accordance with Article 267 of the Group Law, 15% of the shares issued, that is, 2,337 thousand shares, were reserved for employees with NT$24.6 per share. The Group assessed the fair value of this share-based payment based on market law as NT$8,787, which was recognized as compensation costs.

The input values used in the evaluation mode are as follows:

The ratios from comparable companies, such as market price / revenues, P/E ratio and market price / net value：2.15 ~ 17.25.

Discount for lack of liquidity：8.86%.

(15) Share capital

As of December 31, 2019, the Group's authorized capital was $2,000,000, consisting of 200,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,324,080 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The beginning balance and closing balance of the number of the Group's ordinary shares outstanding of the period remain the same as in previous two periods.

Unit : share

	2019	2018
January 1	132,408,000	116,828,000
Capital increase by cash	-	15,580,000
December 31	132,408,000	132,408,000

On April 25, 2018, by the approval of the board of directors, the Group issued 15,580,000 ordinary shares through cash increasing capital before the initial listing of shares. Pursuant to Article 267 of the Group Law, the Company reserves 15% of the new shares issued, accounting for 2,337,000 shares ($24.6 per share) for employees to subscribe. The remaining shares of 13,243,000 shares ($ 24.6 to $37.5 per share) were approved by the shareholders' meeting on May 25, 2017, and the original shareholders waived the subscription. The Group entrusted the underwriter to handle the pre-listing public underwriting and was issued in full on July 6, 2018 and received a total amount of $478,239. Accounting for "Capital stock" of $155,800 and "Premium on capital stock" of $322,439. The registration of capital increase change has been completed.

(16) Capital surplus

Pursuant to the R.O.C. Group Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Group has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019		
	Share Premium	Long-term investment	Stock Option
January 1	$ 486,616	$ 15,858	$ -
Corporate bond conversion	-	-	132,294
December 31	$ 486,616	$ 15,858	$ 132,294

	2018	
	Capital increase by cash	Long-term investment
January 1	$ 190,438	$ -
Share-based payments	8,787	-
Capital increase by cash	322,439	-
Cash dividends distribution from capital surplus	(35,048)	-
Recognition of changes in the subsidiary’s equity	-	15,858
December 31	$ 486,616	$ 15,858

(17) Retained earnings

	2019	2018
January 1	$ 361,868	$ 242,346
Effects of retrospective application and retrospective restatement	-	38,250
Equity at beginning of period after adjustments	361,868	280,596
Current profit	332,095	232,634
Earnings distribution	(211,853)	(151,877)
Remeasurement on post employment benefit obligations, net of tax	(3,688)	515
December 31	$ 478,422	$ 361,868

A. According to the Group's Articles of Association, if there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Group shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Group's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal, and submit the proposal to the shareholders' meeting for resolution.

B. When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 percent of the total dividends.

C. 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 Group’s paid-in capital.

D. In accordance with the regulations, the Group 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.

E. The appropriation of 2018 and 2017 earnings had been resolved at the stockholders’ meeting on May 24, 2019 and May 25, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 23,263	$ -	$ 16,711	$ -
Cash dividends	211,853	1.60	151,877	1.30
Total	$ 235,116	$ 1.60	$ 168,588	$ 1.30

F. On May 25, 2018 the stockholders resolved during their meeting to distribute $35,048 by cash ($0.3 per share) from additional paid-in capital in excess of par, ordinary share.

G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(23).

(18) Operating revenue

	2019	2018
Revenue from contracts with customers	$ 2,649,059	$ 2,121,873

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

Year ended December 31, 2019	Wafer service	Battery	Total
Segment revenue	$ 2,460,118	$ 194,571	$ 2,654,689
Revenue from internal segment trading	-	(5,630)	(5,630)
Revenue from external customer contracts	$ 2,460,118	$ 188,941	$ 2,649,059
Timing of revenue recognition			
At a point in time	$ 90,568	$ 188,941	$ 279,509
Over time	2,369,550	-	2,369,550
	$ 2,460,118	$ 188,941	$ 2,649,059

Year ended December 31, 2018	Wafer service	Battery	Total
Segment revenue	$ 2,001,885	$ 137,139	$ 2,139,024
Revenue from internal segment trading	-	(17,151)	(17,151)
Revenue from external customer contracts	$ 2,001,885	$ 119,988	$ 2,121,873
Timing of revenue recognition			
At a point in time	$ 117,841	$ 119,988	$ 237,829
Over time	1,884,044	-	1,884,044
	$ 2,001,885	$ 119,988	$ 2,121,873

B. Contract assets and contract liabilities

The customer related contractual assets and liabilities recognized by the Group are as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract Assets	$ 171,059	$ 83,876	$ 95,916
Contract liabilities – unearned sales revenue	$ 12,988	$ 360	$ 2,507

	2019	2018
Initial contract liabilities and recognized income in the current period	$ -	$ 2,251

(19) Other incomes

	2019	2018
Interest revenue：		
Bank deposit interest	$ 3,518	$ 2,571
Other interest revenue	8	19
Total interest revenue	3,526	2,590
Rent revenue	788	788
Other revenue - other	582	2,163
	$ 4,896	$ 5,541

(20) Other benefits and losses

	2019	2018
Profit(loss) on disposal of property, plant, and equipment	$ 83	($ 2,290)
Profit on foreign exchange	(6,437)	8,424
Net profits (Losses) from financial assets (liabilities) measured at fair value through profits (losses)	692	(2,802)
Profit on reversal impairment:		
Profit on reversal impairment of property, plant, and equipment	-	17
Other benefits and losses	6,548	(20,736)
	$ 886	($ 17,387)

(21) Financial costs

	2019	2018
Interest expenses:		
Bank notes	$ 13,595	$ 10,444
Corporate bond payable	1,978	-
Lease liabilities	3,684	-
Provisions - Discounted amortization	1,133	1,134
	$ 20,390	$ 11,578

(22) Additional information on the nature of the expenses

	2019	2018
Employee benefit expense	$ 800,589	$ 661,751
Property, plant, and equipment		
Depreciation expense	372,095	329,543
Intangible asset amortization cost	14,602	10,594

(23) Employee benefit expenses

	2019	2018
Salary expenses	$ 677,070	$ 561,470
Labor and health insurance expenses	57,587	45,737
Pension expenses	26,683	22,095
Other labor expenses	39,249	32,449
	$ 800,589	$ 661,751

A. According to the Group's Articles of Association, if the group makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for Directors according to the profit status of the current year.

B. The estimated amount of compensations for employees in 2019 and 2018 were $77,951 and $56,001, respectively. The estimated amount of remunerations for the Directors were $10,393 and $7,645, respectively. The aforesaid amount is accounted for in the salary expense account. 15% and 2% were estimated in 2019 according to the profitability of the year.

Information on the compensations for employees as well as remunerations for Directors which were approved by the Board of Directors of the Group can be obtained from the Market Observation Post System (MOPS).

(24) Income tax

A. Income tax expenses

(a) Income tax expense components

	2019	2018
Current income tax:		
Income tax generated by current income:	$ 95,325	$ 80,940
Surtax on unappropriated retained earnings	1,814	-
Evaluated based on the (excess) Shortfall from the previous annual Income tax	5,180	(391)
Total current income tax	102,319	80,549
Deferred income tax:		
The original generation and rotation of temporary difference	(3,087)	(2,023)
Effect of tax rate changes	-	(1,286)
Total deferred tax	(3,087)	(3,309)
Income tax expenses	$ 99,232	$ 77,240

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

	2019	2018
Remeasurement of defined benefit obligations	($ 922)	$ 54
Impact of change in tax rate	-	(299)
	($ 922)	($ 245)

B. Income tax expenses and relationship to accounting profit

	2019	2018
Income tax calculated based on Profit Before Tax and the Statutory Rate	$ 75,688	$ 38,283
Tax exemption under the tax law	7,878	16,942
Temporary differences not recognised as deferred tax assets	(1,358)	(6,415)
Taxable loss not recognised as deferred tax assets	11,844	30,107
Evaluated based on the (excess) shortfall from the previous annual income tax	5,180	(391)
Impact of investment tax credits	(1,814)	-
Surtax on unappropriated retained earnings	1,814	-
Impact of change in tax rate	-	(1,286)
Income tax expenses	$ 99,232	$ 77,240

C. The amounts of deferred tax assets or liabilities resulting from temporary differences and investment tax credits are as follows:

	2019			
	January 1	Recognized in profit or loss	Recognized in Other comprehensive net income	December 31
Temporary difference:				
-Deferred tax assets：				
Inventory loss from falling price	$ 4,676	$ 2,130	$ -	$ 6,806
Discount on corporate bond payable	-	396	-	396
Unused compensated absences payable	703	(50)	-	653
Long-term service award	1,547	461	-	2,008
Decommissioning liabilities	2,282	205	-	2,487
Pension	3,206	(105)	922	4,023
Unrealized gain or loss on financial instrument	2	(214)	-	(212)
Unrealized exchange losses	118	264	-	382

Total	$ 12,534	$ 3,087	$ 922	$ 16,543

	2018			
		Recognized in		
	January 1	Recognized in profit or loss	Other comprehensive net income	December 31
Temporary difference:				
-Deferred tax assets：				
Inventory loss from falling Price	$ 2,775	$ 1,901	$ -	$ 4,676
Unused compensated absences payable	347	356	-	703
Long-term service award	1,080	467	-	1,547
Decommissioning liabilities	1,765	517	-	2,282
Pension	2,845	116	245	3,206
Unrealized gain or loss on financial instrument	(97)	99	-	2
Unrealized exchange losses	265	(147)	-	118
Total	$ 8,980	$ 3,309	$ 245	$ 12,534

D. The subsidiaries Phoenix Battery Corporation's relevant amount of validity period of unused loss on tax and no deferred income tax assets is as follows:

December 31, 2019				
Year	Declared amount or examined amount	Not yet tax credits amount	Amount of no deferred tax asset	Last deduction year
2017	Declared amount	$ 43,243	$ 43,243	2027
2018	Declared amount	150,289	150,289	2028
2019	Declared amount	59,221	59,221	2029

December 31, 2018				
Year	Declared amount or examined amount	Not yet tax credits amount	Amount of no deferred tax asset	Last deduction year
2017	Declared amount	$ 43,243	$ 43,243	2027
2018	Declared amount	150,535	150,535	2028

E. The investment operating loss carryforward and deductible temporary differences for which no deferred income tax assets have been recognized:

	December 31, 2019	December 31, 2018
The investment operating loss carryforward and deductible temporary differences	$ 72,200	$ 78,991

F. The Group's for-profit business income tax has been approved by the Revenue Service

Office until 2017.

G. The amendments to the Taiwan Income Tax Act came into effect on February 7, 2018 to adjust the tax rate for for-profit businesses from 17% to 20%; which entered into force in 2018. The Group has assessed the relevant income tax implications for this tax rate change.

(25) Earnings per share

	2019		
	After-tax Amount	Shares Outstanding (1,000 shares)	Earnings Per Share (NTD)
Basic earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 332,095	132,408	$ 2.51
Diluted earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 332,095	132,408	
Impact of potential common stocks with dilutive effects			
Convertible corporate bond	1,663	1,764	
Employee remuneration	-	1,242	
Net current profit of the ordinary shareholders and the impact of potential ordinary shares	$ 333,758	135,414	$ 2.46

	2018		
	After-tax Amount	Shares Outstanding (1,000 shares)	Earnings Per Share (NTD)
Basic earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 232,634	124,469	$ 1.87
Diluted earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 232,634	124,469	
Impact of potential common stocks with dilutive effects			
Employee remuneration	-	1,575	
Net current profit of the ordinary shareholders and the impact of potential ordinary shares	$ 232,634	126,044	$ 1.85

(26) Transactions with non-controlling interest

New shares issued by the cash increase of subsidiary, the Group did not subscribe according to the shareholding ratio.

Phoenix Battery Co., Ltd., a subsidiary of the Group, issued new shares on January 24, 2018 in cash. The Company did not subscribe according to the shareholding ratio, therefore reducing

28.49% equity.

The transaction increased non-controlling interests by $ 84,142, and the equity attributable to owners of the parent company increased by $ 15,858. In the year of 2018, the impact of the changes in Phoenix Battery's equity on the equity of the owners of the parent company is as follows:

		2018
Cash	$	100,000
Increase in the carrying amount of non-controlling interests	(	84,142)
Premium on capital stock-Recognition of changes in subsidiaries' equity in proportion to shareholding	$	15,858

(27) Operating lease commitments

Prior to 2018

Operating leases on equipment, land and building assets with lease periods between 1 to 20 years. Rental expenses recognized in 2018 as $28,603. Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

		December 31, 2018
Within 1 year	$	18,841
1 to 5 years		66,990
Over 5 years		114,872
	$	200,703

(28) Supplemental cash flow information

Partial cash paid for investing activities:

		2019		2018
Purchase of property, plant and equipment	$	1,215,133	$	334,886
Add：Beginning balance of payable on equipment		43,193		23,191
Add：Ending balance of prepayments for equipment		103,243		157,570
Less：Ending balance of payable on equipment	(	107,184)	(	43,193)
Less：Ending balance of prepayments for equipment	(	157,570)	(	103,261)
Cash paid during the year	$	1,096,815	$	369,193

(29) Changes in liabilities from financing activities

	2019					
	Short-term loans	Corporate bond payable	Long-term loans	Lease liabilities	Guarantee deposits received	Liabilities from financing activities gross
January 1, 2019	$20,000	$ -	$ 523,343	$ 235,598	$ 516	$ 779,457
Changes in cash flow from financing activities	16,346	1,094,015	496,465	(12,995)	372	1,594,203
Interest payments on lease liabilities	-	-	-	(3,684)	-	(3,684)
Amortization of interest expenses on lease liabilities	-	-	-	3,684	-	3,684
Amounts of new lease liabilities	-	-	-	3,192	-	3,192
Amortization of interest expenses payable on corporate bonds	-	1,978	-	-	-	1,978
Convertible bonds Call and put options	-	(200)	-	-	-	(200)
Convertible bonds Stock options	-	(132,294)	-	+ -	-	(132,294)
December 31	$36,346	$ 963,499	$ 1,019,808	$225,795	$ 888	$ 2,246,336

	2018			
	Short-term borrowings	Long-term borrowings	Guarantee Deposits received	Liabilities from financing activities
January 1	$ 10,000	$ 744,332	$ 292	$ 754,624
Changes in cash flow from financing activities	10,000	(220,989)	224	(210,765)
December 31	$ 20,000	$ 523,343	$ 516	$ 543,859

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
All directors, general manager and deputy general manager	The Company key management

(2) Significant related party transactions and balances

None.

(3) Key management compensation

	2019	2018
Short-term employee benefits	$ 47,682	$ 42,146
Post-employment benefits	988	3,198
Share-based payment	-	1,391

	$	48,670	$	46,735

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purposes
Time deposits (shown in other current assets)	$ 2,000	$ 500	Customs duty guarantee
Time deposits (shown in other current assets)	8,794	8,794	Guarantee for leasing land and office in Science Park
Reserve account (shown in other current assets)	3,000	-	Short-term borrowings
Building	853,552	626,281	Long-term borrowings
Equipment(including construction in progress)	631,078	133,613	Long-term borrowings
	$ 1,498,424	$ 769,188	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

At May 7,2018, plant on Zhonghua Road in Hsinchu City own by Group's subsidiaries Phoenix Battery Corporation (the "Battery"),occur the fire accident is provided in Note 10.

(2) Commitments

A. 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	$ 960,384	$ 650,303

B. Operating lease commitments
Please refer to Note 6 (6) and (27).

C. As of December 31, 2019 and 2018, the Group has issued unused letters of credit for imported equipment and inventory of approximately $ 1,996 and $ 0.

10. SIGNIFICANT DISASTER LOSS

The Group's subsidiaries Phoenix Battery Corporation (the"Battery") owns plant on Zhonghua Road in Hsinchu City mainly supply battery cell production, occur fire accident on May 7, 2018. The loss of fire accident recognized $82,529 (including loss of Property, Plant and Equipment and inventories $29,296 and $53,233) at 2018. The Battery had insured relate property insurance and got claim $64,161 from insurance agent in 2018, contemporary included net loss of fire accident $18,368 as other gain and loss. At 2019, the Battery recognize net other interest $11,629 include the second claim $16,000 and claim income of adjusted by an insurance notary $22,911, deduct the actual expense of repair after disaster $11,953 and loss on mediate to lessor about reinforcement of the building at civil court $15,329. Part of the insurance claims are still in progress.

The fire accident mentioned above was also affect other users in same building additionally and propose compensation of the damages. The Battery has insured the relevant commercial comprehensive liability insurance with amount of one million US dollars and have reconciliation with all affected settlements , the related compensation net loss of $3,882 was recognized in 2019. As to December 31, 2019, compensation of the damages could not be estimate cause of other floor's lessor provide faulty evidence of damage on reinforcement of the building. The mediation is pending in Hsinchu District Court currently.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as equity as shown in the separate balance sheet plus total borrowings.

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

	December 31, 2019	December 31, 2018
Total borrowings	$ 2,019,653	$ 543,343
Less:：Cash and Cash Equivalents	(1,811,396)	(864,173)
Net debt	208,257	(320,830)
Total equity	2,472,596	2,238,815
Total capital	$ 2,680,853	$ 1,917,985
Gearing ratio	7.77%	-

(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	$ 1,327	$ 130
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 1,811,396	$ 864,173
Notes receivable	156	9,555
Accounts receivable	354,606	384,297
Other receivables	24,644	1,205
Guarantee deposits paid	3,928	2,187
Other financial assets	13,794	9,294
	$ 2,208,524	$ 1,270,711
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 165	$ 141
Financial liabilities at fair value through profit or loss	300	-
	$ 465	$ 141
Financial liabilities at amortised cost		
Short-term borrowings	$ 36,346	$ 20,000
Accounts payable	142,827	124,412
Other payables	426,987	287,840
Corporate bonds payable	963,499	-
Long-term borrowings (Include Current)	1,019,808	523,343
Guarantee deposits received	888	516
	$ 2,590,355	$ 956,111
Guarantee deposits received (Include Current)	$ 255,795	$ -

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. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross derivative instruments to hedging purposes, and not for trading or speculation.

(b) Risk management is carried out by a treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation 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

<u>Foreign exchange risk</u>

I. Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.

II. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(2) and 6(8).

III. The Group's businesses involve some non-functional currency operations. 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	$ 15,518	30.08	$ 466,768
JPY: NTD	184,395	0.2772	51,105
Non-monetary items：None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 2,906	30.08	$ 87,404
JPY: NTD	60,988	0.2772	16,903
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	$ 17,177	30.72	$ 527,681
JPY: NTD	4,582	0.2785	1,276
Non-monetary items：None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 1,719	30.72	$ 52,818
JPY: NTD	19,761	0.2785	5,503
Non-monetary items：None.			

IV. The total exchange gain (loss), 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 ($6,437) and $8,424, respectively.

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

	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%	$ 4,668	$ -
JPY: NTD	1%	511	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 874)	$ -
JPY: NTD	1%	(169)	-
Non-monetary items: None.			

	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%	$ 5,277	$ -
JPY: NTD	1%	13	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 528)	$ -
JPY: NTD	1%	(55)	-
Non-monetary items: None.			

Cash flow and fair value interest rate risk

I. The Group's interest rate risk mainly arises from short-term loans and long-term loans issued at floating rates, which exposes the Group to cash flow interest rate risk. In 2019 and 2018, the Group's loans issued at floating rates are mainly valuated in NTD. The long-term fixed-rate corporate bonds issued by the Group have no interest rate risk and fair value interest rate risk.

II. The Group's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contract. Therefore, the Group is exposed to the risk of future market interest rate changes.

III. For the years ended December 31, 2019 and 2018, it is estimated that a general increase or decrease of 0.25% in interest rates, with all other variables held constant, would decrease or increase the Group's profit before tax approximately by $2,640 and $1,358, respectively, mainly due to the Group's floating rate on bank loans.

(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 assets at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

II. The Group regularly monitors and inspects the trading customer's credit limit based on its credit status and the market conditions, and would make adjustments in real time to manage credit risk. The Group only deals with banks and financial institutions with good credit ratings, so it is not expected to suffer credit risk as a result.

III. The Group manages their credit risk taking into consideration the entire Group's concern. 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 granted by the board of directors based on internal or external ratings, and the usages of credit lines is monitored regularly.

IV. The Group's acknowledgement of the contract as a situation of default is as follows: When the contract amount is expected to be uncollectible and it is necessary to transfer it to overdue receivable, it is deemed that a default has occurred.

V. The Group classifies customers' accounts receivable, contract asset and right-of-use asset in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

VI. 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 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.

VII. The Group used the forecas tability of consideration to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable, contract asset, other receivables of allowance loss.

On December 31, 2019 and 2018, the loss rate is as follows:

December 31, 2019	Not past due and up to 90 days past due	91-180 days past due	181-270 days past due	271-360 days past due	361 days past due	Total
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 550,459	$ 187	$ -	$ -	$ -	$ 550,646
Loss allowance	$ -	$ 47	$ -	$ -	$ -	$ 47

December 31, 2018	Not past due and up to 90 days past due	91-180 days past due	181-270 days past due	271-360 days past due	361 days past due	Total
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 478,933	$ -	$ -	$ -	$ -	$ 478,933
Loss allowance	$ -	$ -	$ -	$ -	$ -	$ -

VIII. Movements in relation to the Group applying the modified approach to provide notes receivable, accounts receivable, contract asset, other receivable, and other receivables of allowance loss as follows:

	2019			
	notes receivable	accounts receivable	contract asset	other receivable
January 1	$ -	$ -	$ -	$ -
impairment loss	-	47	-	-
December 31	$ -	$ 47	$ -	$ -

	2018			
	notes receivable	accounts receivable	contract asset	other receivable
January 1_IAS 39	$ -	$ 17	$ -	$ -
Adjustments under new standards	$ -	$ -	$ -	$ -
January 1_IFRS 9	$ -	$ 17	$ -	$ -
impairment loss	-	(17)	-	-
December 31	$ -	$ -	$ -	$ -

(c) Liquidity risk

I. Cash flow forecasting is performed by individual operating entities within the Group and is aggregated by the Group's Finance Department. The Group's Finance Department shall monitor and forecast the Group's liquidity needs, ensure sufficient funds to meet operational needs, maintain sufficient unencumbered loan commitments at all times so the Group does not violate the relevant loan limits or terms. Such forecasts must take into account the Group's debt financing plans, debt obligations, compliance with the internal balance sheet's financial ratio targets.

II. Surplus cash over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Group held money market positions of $ 1,809,552 and $ 863,009, other current assets of $ 3,000 and $ 0 and other non-current assets of $ 10,794 and $ 9,294 respectively. It is expected to generate cash flow immediately to manage liquidity risk.

III. The Group's unused loan amounts are detailed as follows：

	December 31, 2019	December 31, 2018
Floating rate		
Due within 1 Year	$ 920,854	$ 491,730
Due over 1 Year	3,000	6,000
Fixed Interest Rate		
Due within 1 Year	-	-
Due over 1 Year	-	-
	$ 923,854	$ 497,730

IV. The following table reflects the non-derivative financial liabilities of the Group and the derivative financial liabilities delivered in net or total amount grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2019	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Short-term Loans	$ 36,346	$ -	$ -	$ -
Accounts payable	142,827	-	-	-
Other payable	216,653	2,356	-	-
Lease liabilities	8,553	8,564	16,654	239,937
Corporate bonds payable	-	-	-	1,000,000
Long-term Loans (Due within One Year or One Business Cycle)	195,286	183,891	321,212	347,036
Guarantee deposits received	-	-	766	122

Non-derivative financial liabilities:

December 31, 2018	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Short-term Loans	$ 20,000	$ -	$ -	$ -
Accounts payable	124,412	-	-	-
Other payables	121,260	1,052	-	-
Long-term Loans (Due within One Year or One Business Cycle)	134,300	96,165	120,711	193,549
Guarantee deposits received	-	-	397	119

Derivative financial liabilities：

December 31, 2019	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Forward exchange contracts	$ 165	$ -	$ -	$ -
Convertible bonds Call and put options	300	-	-	-

Derivative financial liabilities：

December 31, 2018	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Forward exchange contracts	$ 141	$ -	$ -	$ -

(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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. 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 is as follows:

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 1,327	$ -	$ 1,327
Liabilities				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 165	$ -	$ 165
Convertible bonds				
Call and put options	-	-	300	300
	$ -	$ 165	$ 300	$ 465

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 130	$ -	$ 130
Liabilities				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 141	$ -	$ 141

(b) The methods and assumptions the Group used to measure fair value are as follows:

I. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

II. Forward foreign exchange contracts are usually evaluated based on current forward exchange rates.

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

D. The following chart is the movement of Level 3 for the years ended December 31, 2019

	2019
	Convertible corporate bonds
January 1	$ -
Gains or losses recognized in profits or losses	
Non-operating income and expenses	100
Current issuance	200
December 31	$ 300
Changes in unrealized gains or losses included in profit or loss held in assets and liabilities at the end of the period (Note 1)	$ 100

Note1：Non-operating income and expenses

For the years ended December 31, 2018, there was no transfer into or out from Level 3.

E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. The Group engaged an external appraiser to perform the fair value measurements being categorized within Level 3, and the financial unit is in charge of valuation procedures to independently verify the fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable Input	Range (weighted average)	Relationship of inputs to fair Value
Convertible bonds Call and put options	$ 300	Binomial Model	Risk-free interest rate	0.5147%	The higher the risk-free interest rate, the lower the fair value
			Stock Value	74	The higher the stock price, the higher the fair value
			Volatility	40.76%	The higher the stock price volatility, the higher the fair value

H. The Group has carefully evaluated and selected the evaluation model and evaluation parameters. However, the use of different evaluation models or parameters may result in different evaluation results. For financial assets and financial liabilities classified as third level, if the evaluation parameters change, the impact on the current profit or loss and other comprehensive profits and losses are as follows:

	December 31, 2019						
			Recognized in profit or loss		Recognized as other comprehensive profit or loss	
	Input Value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial liabilities						
Convertible bonds	Risk-free Interest Rate	±20bp	$ 40	($ 30)	$ -	$ -
Call and put options	Stock Value	±10%	80	(110)	-	-
	Volatility	±5%	70	(40)	-	-

December 31, 2018：None.

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): None.

D. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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

F. Sale of the same security with the accumulated cost exceeding $300 million or 20% of the Group’s paid-in capital: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

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

I. Trading in during the reporting periods: The Group signed a forward foreign exchange contract to buy Taiwan dollars to sell US dollars in 2019 with financial institutions. The purpose of this contract is financial hedging. The Group's net loss from engaging in forward foreign exchange contracts in 2019 was approximately $380.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 2.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1) General information

The Group’s management has identified the reportable departments based on information used by board of directors in making decisions. The reportable departments were strategic institution that provide different products and services, each institution should manage respectively of its distinct technologies and marketing strategies. The Group have two reportable departments: Silicon division and Energy division.

(2) Measurement of segment information

The board of directors of the Group assesses the performance of individual operating departments based on the after-tax profit and loss of individual strategic business units. This measurement standard is the same as the summary of important accounting policies described in Note 4.

(3) Information about segment profit or loss, assets and liabilities

Information of reportable department provided to the Chief Operating Decision-Maker:

Year ended December 31, 2019	Silicon division	Energy division	Total
Revenue from external	$ 2,460,118	$ 194,571	$ 2,654,689
Inter-segment revenue	-	(5,630)	(5,630)
Inter-segment revenue	$ 2,460,118	$ 188,941	$ 2,649,059
Segment income	$ 366,675	($ 49,647)	$ 317,028
Segment income item：			
Interest income	$ 3,430	$ 96	$ 3,526
Interest expense	$ 16,586	$ 3,804	$ 20,390
Depreciation and Amortisation	$ 357,693	$ 29,004	$ 386,697
The tax expense	$ 99,232	$ -	$ 99,232
Total segment assets	$ 5,061,385	$ 345,788	$ 5,407,173
Increase in other non-current assets (Not included Financial instruments and deferred tax assets)	$ 983,450	$ 41,354	$ 1,024,804
Total segment liabilities	$ 2,714,422	$ 220,155	$ 2,934,577

Year ended December 31, 2018	Silicon division	Energy division	Total
Revenue from external	$ 2,001,885	$ 137,139	$ 2,139,024
Inter-segment revenue	-	(17,151)	(17,151)
Inter-segment revenue	$ 2,001,885	$ 119,988	$ 2,121,873
Segment income	$ 317,344	($ 118,459)	$ 198,885
Segment income item：			
Interest income	$ 2,489	$ 101	$ 2,590
Interest expense	$ 9,843	$ 1,735	$ 11,578
Depreciation and Amortisation	$ 318,415	$ 21,722	$ 340,137
The tax expense	$ 77,240	$ -	$ 77,240
Total segment assets	$ 2,974,676	$ 335,823	$ 3,310,499
Increase in other non-current assets (Not included Financial instruments and deferred tax assets)	$ 15,772	$ 12,568	$ 28,340
Total segment liabilities	$ 912,929	$ 158,755	$ 1,071,684

Effects of application of IFRS 16‘Lease’ in 2019:

	Silicon division	Energy division	Total
Increase in Interest expense	$ 3,148	$ 536	$ 3,684
Increase in Depreciation	$ 8,215	$ 6,579	$ 14,794
Increase in segment assets	$ 203,679	$ 20,317	$ 223,996
Increase in segment liabilities	$ 205,082	$ 20,713	$ 225,795

(4) Reconciliation for segment income (loss). assets and liabilities

The external revenue measured in a consistent manner with the income in the consolidated statement of profit or loss is reported to the Chief Operating Decision-Maker.

(5) Information on product and services

Please refer to Note 6(18).

(6) Geographical information

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

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 2,241,358	$ 2,749,385	$ 1,809,569	$ 1,724,581
Others	407,701	-	312,304	-
	$ 2,649,059	$ 2,749,385	$ 2,121,873	$ 1,724,581

(7) Major customer information

The income from the largest Customer-A and Customer-B is $992,981 and $488,005 respectively of Group’s revenue $2,649,059 in 2019. None of other single customer’s income reach the Group’s total revenue 10% above.

The income from the largest Customer-A and Customer-B is $841,046 and $279,291 respectively of Group’s revenue $2,121,873 in 2018. None of other single customer’s income reach the Group’s total revenue 10% above.

Phoenix Silicon International Corporation

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 1

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)
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Other receivables	$ 834	Receivable terms are 30-90 days after monthly closing	0.02%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Receivables	1,071	Payable terms are 30-90 days after monthly closing	0.02%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Sales	5,576	At normal transaction prices and terms	0.21%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	purchasing	54	At normal transaction prices and terms	0.00%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Rental income	3,178	At normal transaction prices and terms	0.12%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Other income	120	At normal transaction prices and terms	0.00%

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 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: The details of important transactions in this table whether should be disclosed is determined by the Group according to the materiality principle.

Phoenix Silicon International Corporation

Information on investees

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31,2019	Balance as at December 31,2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019.	Investment income (loss) recognised by the Group for the year ended December 31, 2019	Footnote
Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	Taiwan	Battery Manufacturing	$ 251,000	$ 251,000	25,100,000	71.51	$ 88,728	($ 52,885)	($ 37,758)	

REPORT OF INDEPENDENT ACCOUNTANTS

(109) Financial Report No. 19002744

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Phoenix Silicon International Corporation (the "Company") as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Accountant's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the 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 judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Evaluation of inventories

Description

The lithium ion battery products produced by Phoenix Silicon International Corporation’s subsidiary (listed using the equity method of investment) produced by Phoenix Battery Corporation, Ltd. (hereinafter referred to as "Phoenix Battery") are yet to be actively promoted by the market. Therefore, the risk of loss on market value decline or obsolescence is higher. Inventories of Phoenix Battery are measured at the lower of cost and net realizable value method. The net realizable value often involves with subjective judgments. In consider the energy division of inventories evaluation results would have a significant impact on financial statements, therefore, we listed the evaluation of inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:
Obtained an understanding of accounting policies on the provision of allowance for inventory valuation losses and validated the accuracy of inventory aging report, as well as sampled and confirmed the consistency of quantities and amounts with detailed inventory listings, verified the dates of movements with supporting documents and ensured the proper categorization of inventory aging report. Evaluated and confirmed the reasonableness of net realizable value for inventories through validating respective supporting documents.

Audit of increase of property, plant and equipment (PP&E)

Description

Please refer to Note 4 (13) of the individual financial report for the accounting policy of property, plant and equipment. Please refer to Notes 6(6) of the individual financial report for the accounting account descriptions of property, plant and equipment.
Phoenix Silicon International Corporation mainly provides the professional processing for semiconductor wafer, such as recycling, thinning and the others. In order to meet customers’ demands, Company had to build advanced technology capacities and continue developments. Consider the Company’s capital expenditures have been increasing tremendously in this year, therefore, we listed the accounting policy of property, plant and equipment as one of the key audit matters.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter: Evaluate and test the effectiveness of relevant internal controls related to the addition and depreciation of property, plant and equipment. Validate the relevant purchase orders, invoices, etc. to confirm that transactions have been properly approved and booked with correct amount. Validate the acceptance report to confirm whether the assets are actually available for use and booked in the catalog of fixed assets at the appropriate time, and whether the depreciation calculations have been correctly started.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Independent accountant's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Li, Tien-Yi Xie, Zhi-Zheng

For and on behalf of PricewaterhouseCoopers, Taiwan February 25, 2020

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

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

Phoenix Silicon International Corporation
PARENT COMPANY ONLY 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)	$ 1,768,882	34	$ 763,037	25
1110	Financial assets at fair value through profit or loss	6(2)	1,327	-	130	-
1140	Contract assets-current	6(19)	171,059	3	83,876	3
1150	Notes receivable		156	-	-	-
1170	Accounts receivable	6(3)	346,522	7	370,927	12
1180	Accounts receivable-related parties	6(3) and 7	1,071	-	-	-
1200	Other receivables		1,719	-	1,203	-
1210	Other receivables－related parties	7	834	-	893	-
130X	Inventories	6(4)	135,393	3	109,106	3
1410	Prepayments		8,679	-	8,318	-
1470	Other current assets		1,497	-	913	-
11XX	**Total current assets**		2,437,139	47	1,338,403	43
	Non-current assets					
1550	Investments accounted for under equity method	6(5)	88,728	2	126,486	4
1600	Property, plant and equipment	6(6) and 8	2,259,018	44	1,442,208	47
1755	Right-of-use asset	6(7)	203,679	4	-	-
1780	Intangible assets		32,397	1	29,462	1
1840	Deferred income tax assets	6(25)	16,543	-	12,534	-
1900	Other non-current assets	8	114,514	2	152,963	5
15XX	**Total non-current assets**		2,714,879	53	1,763,653	57
1XXX	**Total assets**		$ 5,152,018	100	$ 3,102,056	100

(Continued)

Phoenix Silicon International Corporation
PARENT COMPANY ONLY 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					
2120	Financial liabilities at fair value through profit or loss	6(9)	$ 465	-	$ 141	-
2130	Contract liabilities - current	6(19)	3,395	-	360	-
2170	Accounts payable		126,738	2	101,806	3
2180	Accounts payable - related parties	7	-	-	337	-
2200	Other payables	6(10)	391,162	8	240,758	8
2220	Other payables - related parties	6(10) and7	-	-	368	-
2230	Current income tax liabilities	6(25)	52,641	1	58,036	2
2280	Current lease liabilities		7,216	-	-	-
2320	Long-term liabilities-current portion	6(12)	341,448	7	207,419	7
2399	Other current liabilities		393	-	9,149	-
21XX	**Total current liabilities**		923,458	18	618,374	20
	Non-current liabilities					
2530	Bonds payable	6(11)	963,499	19	-	-
2540	Long-term borrowings	6(12)	584,688	11	257,485	8
2550	Non-current rovisions	6(14)	14,194	-	13,497	-
2580	Non-current lease liabilities		197,866	4	-	-
2600	Other non-current liabilities	6(13)	31,043	1	24,278	1
25XX	**Total non-current liabilities**		1,791,290	35	295,260	9
2XXX	**Total liabilities**		2,714,748	53	913,634	29
	Equity					
	Share capital	6(16)				
3110	Ordinary share		1,324,080	26	1,324,080	43
	Capital surplus	6(17)				
3200	Capital surplus		634,768	12	502,474	17
	Retained earnings	6(18)				
3310	Legal reserve		95,022	2	71,759	2
3350	Unappropriated retained earnings		383,400	7	290,109	9
3XXX	**Total equity**		2,437,270	47	2,188,422	71
	Significant contingent liabilities and unrecognized commitments	9				
3X2X	**Total liabilities and equity**		$ 5,152,018	100	$ 3,102,056	100

The accompanying notes are an integral part of these parent company only financial statements.

Phoenix Silicon International Corporation
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
((Expressed in thousands of New Taiwan dollars), Except earnings per share)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(19) and7	$ 2,465,694	100	$ 2,018,052	100
5000	**Operating costs**	6(4、23、24) and7	(1,584,322)	(64)	(1,269,858)	(63)
5950	**Gross profit**		881,372	36	748,194	37
	Operating expenses	6(23、24)				
6100	Selling expenses		(48,563)	(2)	(58,484)	(3)
6200	General and administrative expenses		(223,753)	(9)	(189,914)	(9)
6300	Research and development expenses		(124,100)	(5)	(106,155)	(5)
6450	Expected credit gains	12(2)	(47)	-	17	-
6000	**Total operating expenses**		(396,463)	(16)	(354,536)	(17)
6900	**Operating income**		484,909	20	393,658	20
	Non-operating income and expenses					
7010	Other income	6(20)	8,010	-	6,774	-
7020	Other gains and losses	6(21)	(7,248)	-	3,995	-
7050	Finance costs	6(22)	(16,586)	(1)	(9,843)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	(37,758)	(1)	(84,710)	(4)
7000	**Total non-operating income and expenses**		(53,582)	(2)	(83,784)	(4)
7900	**Profit before income tax, net**		431,327	18	309,874	16
7950	Income tax expense	6(25)	(99,232)	(4)	(77,240)	(4)
8200	**Net income for the year**		$ 332,095	14	$ 232,634	12
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(13)	($ 4,610)	-	$ 270	-
8349	Income tax benefit related to items that will not be reclassified subsequently	6(25)	922	-	245	-
8300	**Other comprehensive income (loss) for the year**		($ 3,688)	-	$ 515	-
8500	**Total comprehensive income (loss) for the year**		$ 328,407	14	$ 233,149	12
	Earnings per share	6(26)				
9750	**Basic earnings per share**		$ 2.51		$ 1.87	
9850	**Diluted earnings per share**	6(26)	$ 2.46		$ 1.85	

The accompanying notes are an integral part of these parent company only financial statements.

Phoenix Silicon International Corporation
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Ordinary share	Capital surplus	Retained Earnings: Legal reserve	Retained Earnings: Unappropriated retained earnings	Total equity
Year ended December 31, 2018						
Balance at January 1, 2018		$ 1,168,280	$ 190,438	$ 55,048	$ 187,298	$ 1,601,064
Retrospective approach adjustment		-	-	-	38,250	38,250
Balance at January 1, 2018-after restatement		1,168,280	190,438	55,048	225,548	1,639,314
Profit for the year		-	-	-	232,634	232,634
Other comprehensive income (loss) for the year		-	-	-	515	515
Total comprehensive income		-	-	-	233,149	233,149
Distribution of retained earnings of 2017:	6(18)					
Legal reserve		-	-	16,711	(16,711)	-
Cash dividends		-	-	-	(151,877)	(151,877)
Cash dividends from capital surplus	6(17)	-	(35,048)	-	-	(35,048)
Capital increase by cash –employee stock option	6(15、17)	-	8,787	-	-	8,787
Capital increase by cash	6(16、17)	155,800	322,439	-	-	478,239
Changes in subsidiaries accounted for using equity method	6(17、27)	-	15,858	-	-	15,858
Balance at December 31, 2018		$ 1,324,080	$ 502,474	$ 71,759	$ 290,109	$ 2,188,422
Year ended December 31, 2019						
Balance at January 1, 2019		$ 1,324,080	$ 502,474	$ 71,759	$ 290,109	$ 2,188,422
Profit for the year		-	-	-	332,095	332,095
Other comprehensive income (loss) for the year		-	-	-	(3,688)	(3,688)
Total comprehensive income		-	-	-	328,407	328,407
Distribution of retained earnings of 2018:	6(18)					
Legal reserve		-	-	23,263	(23,263)	-
Cash dividends		-	-	-	(211,853)	(211,853)
Corporate Bond Issuance	6(17)	-	132,294	-	-	132,294
Balance at December 31, 2019		$ 1,324,080	$ 634,768	$ 95,022	$ 383,400	$ 2,437,270

The accompanying notes are an integral part of these parent company only financial statements.

Phoenix Silicon International Corporation
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended 2019	December 31,2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 431,327	$ 309,874
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6、7、23)	343,890	308,368
Amortization	6(23)	13,803	10,047
Expected credit gains	12(2)	47	(17)
Loss on financial assets at fair value through profit or loss	6(2、9、21)	(1,072)	583
Interest expense	6(22)	16,586	9,843
Interest income	6(20)	(3,430)	(2,489)
Share-based Payment reward	6(15)	-	8,787
Share of profit of subsidiaries and associates accounted for using equity method	6(5)	37,758	84,710
Gain on disposals of property, plant and equipment	6(19、21)	(155)	598
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets		(87,183)	12,040
Accounts note		(156)	-
Accounts receivable		24,358	(63,266)
Accounts receivable, net - related parties		(1,071)	2,142
Other receivables, net		(432)	451
Other receivables, net - related parties		385	(893)
Inventories		(26,287)	(46,764)
Prepayments		(361)	(2,640)
Other current assets		(584)	(838)
Changes in operating liabilities			
Contract liabilities		3,035	(2,147)
Accounts payable		24,932	27,989
Accounts payable - related parties		(337)	(21,462)
Other payables		62,895	41,060
Other payables - related parties		(1)	(3,584)
Other current liabilities		(9,082)	788
Net defined benefit liability		(526)	(438)
Long-term payable		2,309	1,718
Cash inflow generated from operations		830,648	674,460
Interest received		3,346	2,424
Interest paid		(13,703)	(9,371)
Income tax paid		(107,714)	(54,949)
Net cash flows from operating activities		712,577	612,564

(Continued)

Phoenix Silicon International Corporation
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended 2019	December 31,2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(29)	($ 1,030,562)	($ 319,767)
Proceeds from disposal of property, plant and equipment		1,253	15
Acquisition of intangible assets		(12,851)	(10,518)
Increase in Refundable Deposits		(34,691)	-
Decrease in Refundable Deposits		34,665	3,411
Other financial assets –non current		(1,500)	(2,319)
Net cash flows used in investing activities		(1,043,686)	(329,178)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of Short-term Borrowings		14,990	-
Decrease of Short-term Borrowings		(14,990)	-
Issuance of Convertible Corporate Bonds	6(30)	1,094,015	-
Increase in long-term borrowings	6(30)	781,000	100,000
Repayment of long-term borrowings	6(30)	(319,768)	(349,428)
Increase in guarantee deposits received	6(30)	555	224
Decrease in guarantee deposits received	6(30)	(183)	-
Redemption of lease liabilities	6(30)	(6,812)	-
Cash dividends paid (Cash dividends paid from capital surplus)	6(18)	(211,853)	(186,925)
Capital increase by cash		-	478,239
Net cash flows used in financing activities		1,336,954	42,110
Net increase in cash and cash equivalents		1,005,845	325,496
Cash and cash equivalents at beginning of year	6(1)	763,037	437,541
Cash and cash equivalents at end of year	6(1)	$ 1,768,882	$ 763,037

The accompanying notes are an integral part of these parent company only financial statements.

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Phoenix Silicon International Corporation (the “Company”) was incorporated in March 1997 and commenced its operations in June 1998. The Company is engaged in the research, design, manufacture, and sales of reclaim wafer, test wafer, product wafer, solar cell, lithium ion battery for energy storage.

In order to improve competitiveness and business performance, the Company has carried out specialization and reorganization procedures. On March 7, 2017, organizational adjustments approved by the board of directors to sell the related business (including assets and liabilities) of an existing energy division of the Company to Phoenix Battery Corporation a 100% -owned subsidiary . Phoenix Battery Corporation would issue new shares as consideration for the transfer of business. The base date of sell was July 1, 2017. The Company completed the first cash increase and the registration of increase after the transfer of business was completed on January 24, 2018. As of December 31, 2019, the Company held 25,100 shares of Phoenix Battery Corporation with a shareholding ratio of 71.51%.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 25, 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 (“IFRSs”) 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 ‘Lease’	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 Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

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). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company 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 Company increased ‘right-of-use asset’ and lease liability by $208,702 and $208,702 on January 1, 2019.

C. The Company 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) Exclude initial direct costs from the measurement of the right-of-use asset.

(d) The use of hindsight in determining the lease term which the Company assessing to exercise an extension option or not to exercise a termination option.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.49%.

E. The Company recognized 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 recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 159,613
Add: Lease payable recognized under finance lease by applying IAS 17 as at December 31, 2018	99,191
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	$ 258,804
Incremental borrowing interest rate at the date of initial application	1.49%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	$ 208,702

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

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 IFRS 7 of Interest Rate Benchmark Reform	January 1, 2020

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company'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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

(b) 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Compamy’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 recognized 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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

(4) 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 realized, 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 realized 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.

All assets that do not meet the above criteria are classified as non-current assets.

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.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(5) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. Financial assets at amortized 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 recognized and derecognized using trade date accounting.

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

(7) <u>Accounts and notes receivable</u>

A. Accounts receivable entitle the Company 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.

(8) <u>Impairment of financial assets</u>

The Company has assessed the debt instrument investments measured at amortized cost and accounts receivable or contract assets that contain significant financial components during each balance sheet date. If all of the reasonable and corroborative information (including perspective data) did not significantly increase the credit risk after the initial recognition, the allowance loss was measured via the 12-month expected credit loss amount. If there is a significant increase of credit risk after the initial recognition, the allowance loss is measured by the amount of expected credit loss during the period of existence. For accounts receivable or contract assets that do not contain significant financial components, allowance losses are measured via the amount of expected credit losses over the life of the deposit.

(9) <u>Derecognition of Financial Assets</u>

The Company shall derecognize financial assets when one of the following conditions is met:

A. Contractual rights to receive cash flows from financial assets have lapsed.

B. The contractual rights to receive cash flows from financial assets have been transferred, and almost all the risks and rewards of ownership of the financial assets have been transferred.

C. Transfer of contractual rights to receive cash flows from financial assets, but does not retain control over such financial assets.

(10) Operating leases (lessor)

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

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct laboaur, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Subsidiaries refer to entities under the control of the Company. When the Company is exposed to the participation of variable remunerations for said entities or have rights over such variable remunerations and have the power to impact said remunerations of such entities, the Company controls said entities

B. Unrealized profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.

D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.

E. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. 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 the fixed assets are as follows:

Buildings and structures	4 to 51 years
Machinery and equipment	2 to 10 years
Vehicles	5 to 6 years
Office equipment	3 to 6 years
Leases assets	6 years
Other fixed assets	3 to 6 years

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

Effective 2019

A. Leases are recognized 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 Company. For short-term leases or leases of low value assets, lease payments are recognized 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 incremental borrowing interest rate. Lease payments are comprised fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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. Right-of-use assets are initially measured at cost, which includes:

(a) The cost originally measured for the lease liability, and

(b) Any original direct costs incurred before lease asset is available for using.

The following measurements will adopt cost model. The lease asset will be depreciated based on the period which is lower between the durability of the asset and the maturity of the leasing.

The right-of-use asset will be adjusted by any possible change of the original measurements when the lease liability is reassessed.

(15) Leases assets /Operating leases (lessee)

Effective 2018

The payment of operating leases is deducted from any incentives received by the lessor, amortized using the straight-line method over the lease term, and recognized as current profit or loss.

(16) Intangible assets

A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other Intangible assets mainly are expenditure for laying electrical wires and cables etx.is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

(17) Impairment of non-financial assets

The Company 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 recognized 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 recognized.

(18) Borrowings

Refers to long-term from bank. When the original recognition is based on the fair value less the trade costs, any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in profit or loss using the effective interest method during the circulation period according to the amortization procedure.

(19) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services are those resulting from 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.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. When a financial liability meets one of the following conditions, it is designated at fair value through profit or loss when it is originally recognized:

(a) Is a mixed (combined) contract; or

(b) Eliminate or significantly reduce the measurement inconsistencies; or

(c) An instrument whose performance is managed and evaluated on a fair value basis, based on written risk management or strategies.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Convertible Corporate Bonds Payable

The convertible corporate bonds issued by the Company shall be embedded with a conversion right (i.e., the holder can choose to convert them into the ordinary shares of the Company, and convert a fixed amount into a number of shares). At the initial issuance, the issue price shall be classified into financial assets, financial liabilities, or equity according to the conditions of issuance and be handled as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.

B. The host contract of corporate bonds: During original recognition, the difference between the fair value measured and the redemption value shall be recognized as payable corporate premium/discount. Subsequently, the effective interest method by amortization procedure shall be adopted during the circulation period to be recognized as profit or loss, and treated as an adjustment item for "financial costs."

C. Embedded conversion rights (in accordance with the definition of equity): At the time of the original recognition, the residual value after the issuance amount deducted the aforesaid "financial assets at fair value through profit or loss" and "corporate bonds payable" shall be listed as the "capital reserve - stock option." No subsequent re-measurement shall be provided.

D. Any transaction costs directly attributable to the issuance shall be allocated to the various liability and equity components according to the various original book value ratio components as described above.

E. When a holder converts, the liability component of the account (including "corporate bonds payable" and financial assets or liabilities at fair value through profit or loss, designated as upon initial recognition) shall be handled according to the subsequent measurement method for its category. Then the aforesaid liability component book value plus the "capital reserve - stock option" book value shall serve as the issuance cost for the ordinary share conversion.

(22) Derecognition of financial liabilities

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

(23) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss

B. A mixed contract of financial assets embedded in derivatives, at the time of the original recognition, determines that the overall hybrid tool is classified as financial assets measured at fair value through gains and losses, financial assets measured at fair value through other gains and losses, and financial assets measured at amortized cost.

C. The non-financial asset hybrid contract embedded in the derivative instrument determines whether the embedded derivative is closely related to the economic characteristics and risk of the main contract in the original recognition according to the terms of the contract to determine whether to separate or not. When it is closely related, the overall blending tool is treated according to its nature according to appropriate criteria. When it is not closely related, the derivative is separated from the principal contract and is treated as a derivative. The principal contract is treated according to its nature on the basis of appropriate criteria; or the overall recognition at the original recognition is a financial liability measured at fair value through profit or loss.

(24) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation, the discounted amortization is recognized as interest expense. No future operating losses shall be recognized as a liability reserve.

(25) 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 recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 Company in current period or prior periods. The liability recognized 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 Company uses interest rates of government bonds (at the balance sheet date) instead.

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

III. The past service cost related expenses shall immediately be recognized as profits or losses.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized 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. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only 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 nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company 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 realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized 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, unrecognized and recognized deferred tax assets are reassessed.

E. If a change in tax rate is enacted or substantively enacted, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(28) Share capital

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

(29) 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.

(30) Income Recognition

A. Sales of goods

(a) The Company manufactures and sells semiconductor wafer and lithium ion battery related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, 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 wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company provides standard warranty on the products sold, and has the obligation to maintain the products. The liabilities are recognized when the goods are sold.

(c) Accounts receivable are recognized when the goods are delivered to the customer. Since the Company has unconditional rights to the contract price from that point on time, it is only necessary to collect the consideration from the customer when the time comes.

B. Service revenue

The Company provides semiconductor foundry and related services. The Company considers:

(a) Customer controls the provided raw materials and the Company receives the instruction from the customer on providing process services and subsequent treatments。

(b) The Company provides process services to create or enhance an asset which solely provided and controlled by the customer. The Company has no right to transfer the asset for another use.

As the asset ownership belongs to the customer, who bears the significant risk and rewards and rights on the use of the asset, the Company recognizes process services revenue based on the progress towards completion of performance obligation during the service period.

The degree of completion for the Company's process service shall be determined based on the actual service cost that have occurred over the total service cost.

The Company provides process services according to the customers' specifications. So the service cost required for the investment is not incurred on average during the service period. The Company believes that it is appropriate to measure the completion of the performance obligations for the customers in the manner described above. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognized as a contract assets when the services provided by the Company exceed the customer's payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Company.

C. Segment of Financial components

Some of contracts the Company commits to transfer merchandises or services to customers, and customers although make payments within one year. Therefore, the Company does not adjust the transaction price in order to reflect the monetary time value.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company’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 Company’s accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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 realizable 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 $135,393.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 364	$ 384
Demand deposits	741,018	427,253
Deposit account	1,027,500	335,400
Total	$ 1,768,882	$ 763,037

A. The Company 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 Company has no cash and cash equivalents pledged to others. Pledged deposit account information is provided in other non-current assets Note 8.

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

Item	December 31, 2019	December 31, 2018
Current Items:		
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	$ 1,327	$ 130

A. The breakdown of financial assets measured at fair value through profit or loss recognized as profit (or loss) is as follows:

	2019	2018
Financial assets measured compulsorily at fair value through profit or loss		
Derivative instruments	$ 3,548	$ 1,498

B. The transactions and contracts information of the derivative financial assets undertaken by the Company not under hedge accounting were as follows:

	December 31, 2019	
Non-hedging derivative assets	Contract amount (Notional amount)	Contract period
Current items：		
Forward exchange contracts	USD 4,000	Dec. 25, 2019 ~Feb. 7, 2020

	December 31, 2018	
Non-hedging derivative assets	Contract amount (Notional amount)	Contract period
Current items：		
Forward exchange contracts	USD 3,200	Dec. 25, 2018 ~Feb. 15, 2019

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The Company did not apply hedge accounting treatment for these derivative contracts.

C. For information on the credit risk of financial assets measured by fair value through profit or loss, please refer to Note 12 (2).

(3) Accounts and notes receivable

	December 31, 2019	December 31, 2018
Accounts notes	$ 156	$ -
Accounts receivable	346,569	370,927
Accounts receivable - related parties	1,071	-
Less: Allowance for bad debts	(47)	-
	$ 347,593	$ 370,927

A. The ageing analysis of accounts receivable is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Accounts note	Accounts receivable	Accounts note
Not past due	$ 343,901	$ 156	$ 368,849	$ -
Up to 30 days	3,447	-	1,658	-
Past due 31-90 days	105	-	420	-
Past due 91-180 days	187	-	-	-
	$ 347,640	$ 156	$ 370,927	$ -

The above aging analysis is based on past due date.

B. As of December 31, 2019 and December 31, 2018 notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $309,786.

C. The Company has no accounts receivable pledged to others.

D. Without considering the collateral held or other credit enhancements, the maximum credit risk amounts representing the Company's accounts note in 2019 and as of December 31, 2018 are $156 and $0 respectively, the maximum credit risk amounts representing the Company's accounts receivable in 2019 and as of December 31, 2018 are $347,593 and $370,927 respectively.

E. On December 31, 2019 and December 31, 2018 , the Company held commercial promissory notes provided by customers as collateral for credit receivables with amounts of NTD $ 11,000 and NTD $ 10,000 respectively.

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

(4) Inventories

	December 31, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	$ 148,513	($ 23,051)	$ 125,462
Work in process	1,442	(11)	1,431
Finished goods	19,467	(10,967)	8,500
Total	$ 169,422	($ 34,029)	$ 135,393

	December 31, 2018		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	$ 114,410	($ 13,413)	$ 100,997
Work in process	1,547	(63)	1,484
Finished goods	16,530	(9,905)	6,625
Total	$ 132,487	($ 23,381)	$ 109,106

Operating costs incurred on inventories for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost of inventories sold	$ 1,585,623	$ 1,267,991
entories for valuation loss	10,648	7,055
Gain from disposal of scrap material	(434)	(239)
Others	(11,515)	(4,949)
	$ 1,584,322	$ 1,269,858

(5) Investments accounted for using the equity method

	2019	2018
January 1	$ 126,486	$ 195,338
Portion of investment profit or loss using with equity method	(37,758)	(84,710)
Recognition of changes in the subsidiary’s equity	-	15,858
December 31	$ 88,728	$ 126,486

A. Details of the Company’s subsidiaries are provided in Note 4(3) in the Company’s 2019 consolidated financial statements.

B. Phoenix Battery Corporation, a subsidiary of the Company, completed the first cash increase after the division on January 24, 2018, and completed the change registration process. As of December 31, 2019, the Company held 25,100 thousand shares in Phoenix Battery Corporation, a subsidiary with a shareholding ratio of 71.51%.

C. The Company has evaluated the invested company Phoenix Battery Corporation in accordance with the equity method, and has prepared separate consolidated financial reports for 2019 and 2018.

(6) Property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Others	Equipment under Installation and construction in progress	Total
January 1, 2019								
Cost	$ 1,185,138	$ 2,095,943	$ 6,396	$ 31,665	$ 538	$ 42,078	$ 103,582	$ 3,465,340
Accumulated depreciation	(408,976)	(1,563,262)	(5,547)	(20,935)	(411)	(24,001)	-	(2,023,132)
	$ 776,162	$ 532,681	$ 849	$ 10,730	$ 127	$ 18,077	$ 103,582	$ 1,442,208
2019								
Opening net book amount	$ 776,162	$ 532,681	$ 849	$ 10,730	$ 127	$ 18,077	$ 103,582	$ 1,442,208
Additions	156,495	764,464	3,315	6,710	-	27,042	199,444	1,157,470
Disposals	(143)	(481)	-	-	-	(474)	-	(1,098)
Reclassifications	1,897	81,588	-	-	-	-	(87,372)	(3,887)
Depreciation	(80,859)	(242,881)	(498)	(4,653)	(90)	(6,694)	-	(335,675)
Closing net book amount	$ 853,552	$ 1,135,371	$ 3,666	$ 12,787	$ 37	$ 37,951	$ 215,654	$ 2,259,018
December 31, 2019								
Cost	$ 1,342,948	$ 2,935,465	$ 9,711	$ 37,854	$ 538	$ 67,275	$ 215,654	$ 4,609,445
Accumulated depreciation	(489,396)	(1,800,094)	(6,045)	(25,067)	(501)	(29,324)	-	(2,350,427)
	$ 853,552	$ 1,135,371	$ 3,666	$ 12,787	$ 37	$ 37,951	$ 215,654	$ 2,259,018

	Buildings	Machinery and Equipment	Transportation equipment	Office equipment	Leased assets	Others	Equipment under Installation and construction in Progress	Total
January 1, 2018								
Cost	$ 1,078,941	$ 1,987,345	$ 5,886	$ 24,473	$ 538	$ 33,975	$ 82,670	$ 3,213,828
Accumulated depreciation	(336,354)	(1,362,232)	(4,860)	(17,530)	(321)	(20,273)	-	(1,741,570)
	$ 742,587	$ 625,113	$ 1,026	$ 6,943	$ 217	$ 13,702	$ 82,670	$ 1,472,258
2018								
Opening net book amount	$ 742,587	$ 625,113	$ 1,026	$ 6,943	$ 217	$ 13,702	$ 82,670	$ 1,472,258
Additions	96,655	104,708	510	4,749	-	9,201	66,241	282,064
Disposals	-	(613)	-	-	-	-	-	(613)
Reclassifications	9,542	29,819	-	2,560	-	275	(45,329)	(3,133)
Depreciation	(72,622)	(226,346)	(687)	(3,522)	(90)	(5,101)	-	(308,368)
Closing net book amount	$ 776,162	$ 532,681	$ 849	$ 10,730	$ 127	$ 18,077	$ 103,582	$ 1,442,208
December 31, 2019								
Cost	$ 1,185,138	$ 2,095,943	$ 6,396	$ 31,665	$ 538	$ 42,078	$ 103,582	$ 3,465,340
Accumulated depreciation	(408,976)	(1,563,262)	(5,547)	(20,935)	(411)	(24,001)	-	(2,023,132)
	$ 776,162	$ 532,681	$ 849	$ 10,730	$ 127	$ 18,077	$ 103,582	$ 1,442,208

A. There are no capitalisation of interest case on the year 2019 and 2018.

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

(7) Leasing arrangements－lessee

Effective 2019

A. The Company leases various assets including land and transportation equipment. Rental contracts are made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. Except that the leased assets cannot be used as loan guarantees, no other restrictions are imposed.

B. The period of the employee dormitory leased by the Company does not exceed 12 months, and the leased underlying assets that are low value are accounted for facilities and other equipment.

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

	December 31, 2019	2019
	Carrying amount	Depreciation expenses
Land	$ 201,522	$ 7,180
Transportation equipment	2,157	1,035
	$ 203,679	$ 8,215

D. For the year ended December 31, 2019, additions to right-of-use assets was $3,192.

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

	2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 3,148
n short-term lease contracts	4,284
Expenses for lease of low-value assets	322

F. For the year ended December 31, 2019, the Company's total cash outflow for leases was $14,566.

G. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Lease transactions-Lessor

A. The asset leased out by the Company is a building. The lease contract period is 5 years. The lease contract is negotiated individually and contains various terms and conditions. In order to preserve the use of leased assets, lessees are usually required not to use the leased assets as loan guarantees.

B. In the year of 2019, the Company recognized rental income of NT $ 3,967 based on operating lease contracts. There is no change in lease payments.

C. The analysis of the lease payments of the assets leased out by the Company under operating leases on maturity date is as follows：

		December 31, 2019
2020	$	3,912
2021		3,912
2022		3,913
2023		326
Total	$	12,063

(9) Financial liabilities at fair value through profit or loss – current

Item	December 31, 2019		December 31, 2018	
Current items：				
Financial liabilities held for trading				
derivative instruments	$	165	$	141
Financial liabilities designation as at fair value through profit or loss				
Convertible Bond		200		-
Evaluation adjustment		100		-
Subtotal		300		-
Total	$	465	$	141

A. The breakdown of financial liabilities measured at fair value through profit or loss recognized as profit (or loss) is as follows：

	2019		2018	
recognized net profit(loss)：				
Financial liabilities held for trading				
Derivative instruments	($	2,756)	($	4,300)
Financial liabilities designation as at fair value through profit or loss				
Convertible Bond	(	100)		-
Total	($	2,856)	($	4,300)

B. The non-hedging derivative instruments transaction and contract information as follows：

	December 31, 2019			December 31, 2018		
Non-hedging derivative liabilities	Contract amount (Notional Amount)		Contract period	Contract amount (Notional Amount)		Contract period
Current items：						
Forward exchange contracts	USD	2,000	2020.1.22~ 2020.2.7	USD	3,800	2018.12.25~ 2019.3.8

The Company signed forward exchange and foreign exchange swaps to hedge foreign exchange risk from the prices of imports and exports; however, the Company did not apply hedge accounting.

(10) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries	$ 104,697	$ 91,304
Payables for Employees’ compensation and directors’	92,865	63,468
Payables on equipment	107,184	20,251
Payables for maintenance	23,497	15,124
Other payable overheads	62,919	50,979
Total	$ 391,162	$ 241,126

(11) Corporate bonds payable

	December 31, 2019	December 31, 2018
Corporate bond payable	$ 1,000,000	$ -
Discount on corporate bond payable	(36,501)	-
	$ 963,499	$ -

A. Domestic conversion of corporate bonds issued by the company

(a) Issuance conditions for the first unsecured conversion of corporate bonds in the company are as follows:

The company is approved by the relevant authorities to raise and issue the first unsecured conversion company debt (referred to as "This conversion company debt"), the total issue of $1,000,000 at the coupon rate of 0%, for an issuance period of 3 years, circulation period from November 13, 2019 to November 13, 2022. When this conversion company debt expires, it will be repaid in cash in the denomination of the bond. This conversion company debt has been listed for trading at the Securities Counter Trading Center as of November 13, 2019.

(b) The corporate bonds held by the Company shall be converted into ordinary shares of the Company from three months after the bond issuance by the Company until the maturity date. The converted new shares have the same rights and obligations as the ordinary shares of the Company.

(c) The conversion price of this conversion company debt shall be determined according to the pricing model stipulated in the conversion method, and the conversion price shall be adjusted in the event of the anti-dilution clause of the company in accordance with the pricing model stipulated in the conversion method. The conversion price will be re-determined on the base date according to the pricing model stipulated in the conversion method.

(d) Bondholders can require the company to buy back the conversion company bonds at 0.5001% interest compensation rate on the face value of the bonds after holding them over two years.

(e) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the company's common shares exceeds 30% of the current conversion price for

30 consecutive business days, the company has rights to buy back all its bonds in cash at the face value of the bonds within thirty business days thereafter.

(f) In the period of circulation from three months after the issuance of the convertible corporate bonds to thirty business days before the maturity of the bonds. If the closing price of the company's common shares is lower 10% of the current conversion price for 30 consecutive business days, the company has rights to buy back all its bonds in cash at the face value of the bonds any time thereafter.

(g) According to the conversion method, all of the corporate bonds recovered (including those bought back from the Taipei Exchange), repaid, or converted shall be written off by the Company; and all rights and obligations that are attached to corporate bonds will also be reduced and will not be issued.

B. When issuing convertible corporate bonds, the Company shall, in accordance with the provisions of international Accounting standard 32nd "Financial instruments: expression", separate the right of conversion of the nature of equity from the constituent elements of each liability, and account for the "capital reserve-equity" $132,294. The other embedded buying and selling rights, according to IAS 9 "Financial instruments: recognition and measurement" provisions, because it is not closely related to the economic characteristics and risks of the main contract debt commodities, so it is separated and treated with its net account "financial liabilities-flows measured at fair value through profit and loss". The effective interest rate for the separation of COR contractual obligations is 1.56%.

(12) Long-term borrowings

Nature of Loan	Borrowing period and repayment term	Interest rate range	Collateral		December 31, 2019
Factory loan (Note)	Repayment by installments throughout the agreed upon period from Apr. 25, 2019 to Apr. 25, 2022	Floating rate	Building	$	188,000
Factory loan	Repayment by installments throughout the agreed upon period from Feb. 13, 2015 to Dec, 8, 2027	Floating rate	Building		231,386
Medium-term secured loan (Note)	Repayment by installments throughout the agreed upon period from Apr. 15, 2019 to Aug. 14, 2024	Floating rate	Machinery and equipment		269,750
Medium-term secured loan	Repayment by installments throughout the agreed upon period from Jul. 5, 2017 to Jul. 5, 2030	Floating rate	Machinery and equipment		12,000
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jul. 12, 2018 to Jul. 8, 2022	Floating rate	None		225,000
					926,136
Less: Current portion				(	341,448)
				$	584,688
Interest rate range					1.35%~1.50%

Nature of Loan	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Factory loan	Repayment by installments throughout the agreed upon period from Feb. 13, 2015 to Dec. 12, 2027	Floating rate	Building	$ 243,729
Medium-term secured loan	Repayment by installments throughout the agreed upon period from May 23, 2017 to Jul. 5, 2020	Floating rate	Machinery and equipment	77,800
Unsecured borrowing	Repayment by installments throughout the agreed upon period from Jul. 5, 2017 to Jul. 12, 2020	Floating rate	None	143,375
				464,904
Less: Current portion				(207,419)
				$ 257,485
Interest rate range				1.47%~1.60%

Information about pledged to others as collateral is provided in Note 8.

Note：Accordance with the contractual arrangements, the group should maintained half years of designated net debt ratio and interest repayments ability within duration of loan.

(13) Pension

A.

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 contributes 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 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 will make contributions for the deficit by next March.

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 39,226	$ 34,347
Fair value of plan assets	19,113	(18,318)
Net defined benefit liability	$ 20,113	$ 16,029

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

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	$ 34,347	($ 18,318)	$ 16,029
Current service cost	88	-	88
Interest (expense) income	472	(257)	215
	34,907	(18,575)	16,332
Remeasurements:			
Return on plan assets (excluding the amounts included in interest income or expense)	-	(617)	(617)
Change in demographic assumptions	948	-	948
Change in financial assumptions	2,709	-	2,709
Experience adjustments	1,570	-	1,570
	5,227	(617)	4,610
Pension fund contribution	-	(829)	(829)
Paid pension	(908)	908	-
December 31	$ 39,226	($ 19,113)	$ 20,113

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1	$ 35,913	($ 19,176)	$ 16,737
Current service cost	93	-	93
Interest (expense) income	494	(269)	225
	36,500	(19,445)	17,055
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(506)	(506)
Change in demographic assumptions	2,080	-	2,080
Experience adjustments	(1,845)	-	(1,845)
	235	(506)	(271)
Pension fund contribution	-	(755)	(755)
Paid pension	(2,388)	2,388	-
December 31	$ 34,347	($ 18,318)	$ 16,029

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the fund's annual investment and Remeasurements: plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset 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 Utilisation Report announced by the government.

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

	2019	2018
Discount rate	0.875%	1.375%
Future salary increases	3.500%	3.500%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2019 and 2018.

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	($ 1,399)	$ 1,468	$ 1,409	($ 1,350)
December 31,2018				
Effect on present value of defined benefit obligation	($ 1,253)	$ 1,316	$ 1,269	($ 1,215)

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 Company for the year ending December 31, 2020 amount to $871.

(g) As of December 31, 2019, the weighted average duration of that retirement plan is 14.8 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$	294
1~2 years		221
2~5 years		7,491
5~10 years		5,556
	$	13,562

B. (a) Effective July 1, 2005, the Company has 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 contributes 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 Company for the years ended December 31, 2019 and 2018 were $22,839 and $18,479, respectively.

(14) Provision

	Decommissioning liabilities	
2019		
January 1	$	13,497
Discounting of amortization		697
December 31	$	14,194

The analysis of provisions was as follows:

	December 31, 2019		December 31, 2018	
Non-current	$	14,194	$	13,497

Decommissioning liabilities

In accordance with the applicable agreements or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain base stations in the future. Provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. The Company expects those liabilities will occur in the next 5 to 20 years.

(15) Share-based payment

The Company used to issue 15,580 ordinary thousand shares to increase the capital through market auctions before the initial listing. In accordance with Article 267 of the Company Law, 15% of the shares issued, that is, 2,337 thousand shares, were reserved for employees with

NT$24.6 to 37.5 per share. The company assessed the fair value of this share-based payment based on market law as NT$8,787, which was recognized as compensation costs.

The input values used in the evaluation mode are as follows:

The ratios from comparable companies, such as market price / revenues, P/E ratio and market price / net value：2.15 ~ 17.25.

Discount for lack of liquidity：8.86%.

(16) Share capital

As of December 31, 2019, the Company's authorized capital was $2,000,000, consisting of 200,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,324,080 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The beginning balance and closing balance of the number of the Company's ordinary shares outstanding of the period remain the same as in previous two periods.

Unit : share

	2019	2018
January 1	132,408,000	116,828,000
Capital increase by cash	-	15,580,000
December 31	132,408,000	132,408,000

On April 25, 2018, by the approval of the board of directors, the Company issued 15,580,000 ordinary shares through cash increasing capital before the initial listing of shares. Pursuant to Article 267 of the Company Law, the Company reserves 15% of the new shares issued, accounting for 2,337,000 shares ($24.6 per share) for employees to subscribe. The remaining shares of 13,243,000 shares ($ 24.6 to $33.6 per share) were approved by the shareholders' meeting on May 25, 2017, and the original shareholders waived the subscription. The Company entrusted the underwriter to handle the pre-listing public underwriting and was issued in full on July 6, 2018 and received a total amount of $478,239. Accounting for "Capital stock" of $155,800 and "Premium on capital stock" of $322,439. The registration of capital increase change has been completed.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019		
	Share Premium	Long-term investment	Stock Option
January 1	$ 486,616	$ 15,858	$ -
Corporate bond conversion	-	-	132,294
December 31	$ 486,616	$ 15,858	$ 132,294

	2018	
	Capital increase by cash	Long-term investment
January 1	$ 190,438	$ -
Share-based payments	8,787	-
Capital increase by cash	322,439	-
Cash dividends distribution from capital surplus	(35,048)	-
Recognition of changes in the subsidiary’s equity	-	15,858
December 31	$ 486,616	$ 15,858

(18) Retained earnings

	2019	2018
January 1	$ 361,868	$ 242,346
Effects of retrospective application and retrospective restatement	-	38,250
Equity at beginning of period after adjustments	361,868	280,596
Current profit	332,095	232,634
Earnings distribution	(211,853)	(151,877)
Remeasurement on post employment benefit obligations, net of tax	(3,688)	515
December 31	$ 478,422	$ 361,868

A. According to the Company's Articles of Association, if there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Company shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Company's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal, and submit the proposal to the shareholders' meeting for resolution.

B. When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50% of the total dividends.

C. 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.

D. 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.

E. The appropriation of 2018 and 2017 earnings had been resolved at the stockholders' meeting on May 24, 2019 and May 25, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 23,263	$ -	$ 16,711	$ -
Cash dividends	211,853	1.60	151,877	1.30
Total	$ 235,116	$ 1.60	$ 168,588	$ 1.30

F. On May 25, 2018 the stockholders resolved during their meeting to distribute $35,048 by cash ($0.3 per share) from additional paid-in capital in excess of par, ordinary share.

G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(24).

(19) Operating revenue

	2019	2018
Revenue from contracts with customers	$ 2,465,694	$ 2,018,052

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

Year ended December 31, 2019	Wafer service	Battery	Total
Revenue from external customer contracts	$ 2,460,118	$ 5,576	$ 2,465,694
Timing of revenue recognition			
At a point in time	$ 90,568	$ 5,576	$ 96,144
Over time	2,369,550	-	2,369,550
	$ 2,460,118	$ 5,576	$ 2,465,694

Year ended December 31, 2018	Wafer service	Battery	Total
Revenue from external customer contracts	$ 2,001,885	$ 16,167	$2,018,052
Timing of revenue recognition			
At a point in time	$ 117,841	$ 16,167	$ 134,008
Over time	1,884,044	-	1,884,044
	$ 2,001,885	$ 16,167	$2,018,052

B. Contract assets and contract liabilities

The customer related contractual assets and liabilities recognized by the Company are as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract Assets	$ 171,059	$ 83,876	$ 95,916
Contract liabilities – unearned sales revenue	$ 3,395	$ 360	$ 2,507

	2019	2018
Initial contract liabilities and recognized income in the current period	$ -	$ 2,251

(20) Other incomes

	2019	2018
Interest revenue：		
Bank deposit interest	$ 3,430	$ 2,489
rent revenue	3,967	3,568
Other revenue - other	613	717
	$ 8,010	$ 6,774

(21) Other benefits and losses

	2019	2018
Profit(loss) on disposal of property, plant, and equipment	$ 155	($ 598)
Profit on foreign exchange	(6,895)	7,395
Net profits (Losses) from financial assets (liabilities) measured at fair value through profits (losses)	692	(2,802)
Other benefits and losses	(1,200)	-
	($ 7,248)	$ 3,995

(22) Financial costs

Interest expenses:	2019	2018
Bank notes	$ 10,763	$ 9,144
Corporate bond payable	1,978	-
Lease liabilities	3,148	-
Provisions - Discounted amortization	697	699
	$ 16,586	$ 9,843

(23) Additional information on the nature of the expenses

	2019	2018
Employee benefit expense	$ 712,769	$ 578,522
Property, plant, and equipment		
Depreciation expense	343,890	308,368
Intangible asset amortization cost	13,803	10,047

(24) Employee benefit expenses

	2019	2018
Salary expenses	$ 604,578	$ 492,129
Labor and health insurance expenses	50,544	39,499
Pension expenses	23,142	18,797
Other labor expenses	34,505	28,097
	$ 712,769	$ 578,522

A. According to the Company's Articles of Association, if the Company makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for Directors according to the profit status of the current year.

B. The estimated amount of compensations for employees in 2019 and 2018 were $77,951 and $56,001, respectively. The estimated amount of remunerations for the Directors were $10,393 and $7,645, respectively. The aforesaid amount is accounted for in the salary expense account. 15% and 2% were estimated in 2019 according to the profitability of the year.

The amounts resolved by the Board of Directors for the 2018 compensations for employees, remunerations for Directors, and the amount recognized in the 2018 financial report are consistent.

Information on the compensations for employees as well as remunerations for Directors which were approved by the Board of Directors of the Company can be obtained from the Market Observation Post System (MOPS).

(25) Income tax

A. Income tax expenses

(a) Income tax expense components

	2019	2018
Current income tax:		
Income tax generated by current income:	$ 95,325	$ 80,940
Surtax on unappropriated retained earnings	1,814	-
Evaluated based on the (excess) Shortfall from the previous annual Income tax	5,180	(391)
Total current income tax	102,319	80,549
Deferred income tax:		
The original generation and rotation of temporary difference	(3,087)	(2,023)
Effect of tax rate changes	-	(1,286)
Total deferred tax	(3,087)	(3,309)
Income tax expenses	$ 99,232	$ 77,240

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

	2019	2018
Remeasurement of defined benefit obligations	($ 922)	$ 54
Impact of change in tax rate	-	(299)
	($ 922)	($ 245)

B. Income tax expenses and relationship to accounting profit

	2019	2018
Income tax calculated based on Profit Before Tax and the Statutory Rate	$ 86,265	$ 61,975
Tax exemption under the tax law	7,787	16,942
Evaluated based on the (excess) shortfall from the previous annual income tax	5,180	(391)
Impact of investment tax credits	(1,814)	-
Surtax on unappropriated retained earnings	1,814	-
Impact of change in tax rate	-	(1,286)
Income tax expenses	$ 99,232	$ 77,240

C. The amounts of deferred tax assets or liabilities resulting from temporary differences and investment tax credits are as follows:

	2019			
	January 1	Recognized in profit or loss	Recognized in Other comprehensive net income	December 31
Temporary difference:				
-Deferred tax assets：				
Inventory loss from falling price	$ 4,676	$ 2,130	$ -	$ 6,806
Discount on corporate bond payable	-	396	-	396
Unused compensated absences payable	703	(50)	-	653
Long-term service award	1,547	461	-	2,008
Decommissioning liabilities	2,282	205	-	2,487
Pension	3,206	(105)	922	4,023
Unrealized gain or loss on financial instrument	2	(214)	-	(212)
Unrealized exchange losses	118	264	-	382
Total	$ 12,534	$ 3,087	$ 922	$ 16,543

	2018			
	January 1	Recognized in profit or loss	Recognized in Other comprehensive net income	December 31
Temporary difference:				
-Deferred tax assets：				
Inventory loss from falling Price	$ 2,775	$ 1,901	$ -	$ 4,676
Unused compensated absences payable	347	356	-	703
Long-term service award	1,080	467	-	1,547
Decommissioning liabilities	1,765	517	-	2,282
Pension	2,845	116	245	3,206
Unrealized gain or loss on financial instrument	(97)	99	-	2
Unrealized exchange losses	265	(147)	-	118
Total	$ 8,980	$ 3,309	$ 245	$ 12,534

D. Deductible temporary differences that are not recognized as deferred income tax assets: Non.

E. The Company's for-profit business income tax has been approved by the Revenue Service Office until 2017. ◦

F. The amendments to the Taiwan Income Tax Act came into effect on February 7, 2018 to adjust the tax rate for for-profit businesses from 17% to 20%; which entered into force in 2018. The Company has assessed the relevant income tax implications for this tax rate change.

(26) Earnings per share

	2019		
	After-tax Amount	Shares Outstanding (1,000 shares)	Earnings Per Share (NTD)
Basic earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 332,095	132,408	$ 2.51
Diluted earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 332,095	132,408	
Impact of potential common stocks with dilutive effects			
Convertible corporate bond	1,663	1,764	
Employee remuneration	-	1,242	
Net current profit of the ordinary shareholders and the impact of potential ordinary shares	$ 333,758	135,414	$ 2.46

	2018		
	After-tax Amount	Shares Outstanding (1,000 shares)	Earnings Per Share (NTD)
Basic earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 232,634	124,469	$ 1.87
Diluted earnings per share			
Net profit attributable to the ordinary shareholders in the current period	$ 232,634	124,469	
Impact of potential common stocks with dilutive effects			
Employee remuneration	-	1,575	
Net current profit of the ordinary shareholders and the impact of potential ordinary shares	$ 232,634	126,044	$ 1.85

(27) Transactions with non-controlling interest

New shares issued by the cash increase of subsidiary, the Company did not subscribe according to the shareholding ratio.

Phoenix Battery Co., Ltd., a subsidiary of the company, issued new shares on January 24, 2018 in cash. The Company did not subscribe according to the shareholding ratio, therefore reducing 28.49% equity. The transaction increased non-controlling interests by $ 84,142 and the equity attributable to owners of the parent company increased by $ 15,858. In the year of 2018, the impact of the changes in Phoenix Battery's equity on the equity of the owners of the parent company is as follows:

	2018
Cash	$ 100,000
Increase in the carrying amount of non-controlling interests	(84,142)
Premium on capital stock-Recognition of changes in subsidiaries' equity in proportion to shareholding	$ 15,858

(28) Operating lease commitments

Prior to 2018

A. Rental income from the operating leases for building assets rented out by the Company and recognized accordingly in 2018 was $3,568. Such operating leases will expire in the period 2018 to 2023. Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018
Within 1 year	$ 2,952
1 to 5 years	9,842
	$ 12,794

B. Operating leases on equipment, land and building assets with lease periods between 1 to 20 years. Rental expenses recognized in 2018 as $14,939. Total minimum lease receivables due in the future from non-cancellable contracts are as follows:

	December 31, 2018
Within 1 year	$ 9,168
1 to 5 years	35,573
Over 5 years	114,872
	$ 159,613

(29) Supplemental cash flow information

Partial cash paid for investing activities:

	2019	2018
Purchase of property, plant and equipment	$ 1,157,470	$ 282,064
Add：Beginning balance of payable on equipment	19,884	15,035
Add：Beginning balance of payable on lease - related parties	367	700
Add：Ending balance of prepayments for equipment	103,243	143,218
Less：Ending balance of payable on equipment	(107,184)	(19,884)
Less： Ending balance of payable on equipment - related parties	-	(367)
Less：Ending balance of prepayments for equipment	(143,218)	(100,999)
Cash paid during the year	$ 1,030,562	$ 319,767

(30) Changes in liabilities from financing activities

	2019				
	Corporate bond payable	Long-term loans	Lease liabilities	Guarantee deposits received	Liabilities from financing activities gross
January 1, 2019	$ -	$ 464,904	$ 208,702	$ 516	$ 674,122
Changes in cash flow from financing activities	1,094,015	461,232	(6,812)	372	1,548,807
Interest payments on lease liabilities	-	-	(3,148)	-	(3,148)
Amortization of interest expenses on lease liabilities	-	-	3,148	-	3,148
Amounts of new lease liabilities	-	-	3,192	-	3,192
Amortization of interest expenses payable on corporate bonds	1,978	-	-	-	1,978
Convertible bonds Call and put options	(200)	-	-	-	(200)
Convertible bonds Stock options	(132,294)	-	-	-	(132,294)
December 31	$ 963,499	$ 926,136	$ 205,082	$ 888	$ 2,095,605

	2018		
	Long-term borrowings	guarantee deposits received	Liabilities from financing activities
January 1	$ 714,332	$ 292	$ 714,624
Changes in cash flow from financing activities	(249,428)	224	(249,204)
December 31	$ 464,904	$ 516	$ 465,420

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
All directors, general manager and deputy general manager	The Company key management
Phoenix Battery Corporation	Company's reinvested subsidiary under the equity method

(2) Significant related party transactions and balancesOperating revenue

	2019	2018
A. Sales of goods:		
Phoenix Battery Corporation	$ 5,576	$ 2,040

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	2019	2018
Purchase of goods：		
Phoenix battery corporation	$ 54	$ 12,530

The purchase prices and the trading terms to related parties above were not significantly different from those of purchase to third parties.

C. Receivables from related parties:

	December 31, 2019	December 31, 2018
Accounts receivable:		
Phoenix Battery Corporation	$ 1,071	$ -
Other receivables：		
Phoenix Battery Corporation	$ 834	$ 893

The receivables from related parties arise mainly from sales transactions. The receivables are due 3 months after the date of sale. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties:

	December 31, 2019	December 31, 2018
Accounts receivable:		
Phoenix Battery Corporation	$ -	$ 337
Other payables：		
Phoenix Battery Corporation	-	368
Total	$ -	$ 705

The payables from related parties arise mainly from purchase transactions. The payables are due 3 months after the date of sale. The payables are bear no interest.

E. Other

	2019		2018	
	Item	Amount	Item	Amount
Phoenix battery corporation	Rent income	$ 3,178	Rent income	$ 2,779
	Other income	$ 120	Other income	$ -

(3) Key management compensation

	2019	2018
Short-term employee benefits	$ 39,213	$ 35,825
Post-employment benefits	621	2,958
Share-based payment transaction	-	1,391
	$ 39,834	$ 40,174

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purposes
Time deposits (shown in other current assets)	$ 2,000	$ 500	Customs duty guarantee
Time deposits (shown in other current assets)	8,794	8,794	Guarantee for leasing land and office in Science Park
Building	853,552	626,281	Long-term borrowings
Equipment(including construction in progress)	539,462	110,749	Long-term borrowings
	$ 1,403,808	$ 746,324	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. 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	$ 960,384	$ 586,175

B. Operating lease commitments

Please refer to Note 6 (7), (8) and (28).

C. As of December 31, 2019 and 2018, the company has issued unused letters of credit for imported equipment and inventory of approximately $ 1,996 and $ 0.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as equity as shown in the separate balance sheet plus total borrowings.

During the year ended December 31, 2019, the Company's strategy, which was unchanged from 2018, was to maintain the gearing ratio at a reasonable level of risk. The gearing ratios at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total borrowings	$ 1,889,635	$ 464,904
Less:：Cash and Cash Equivalents	(1,768,882)	(763,037)
Net debt	120,753	(298,133)
Total equity	2,437,270	2,188,422
Total capital	$ 2,558,023	$ 1,890,289
Gearing ratio	4.72%	-

(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	$ 1,327	$ 130
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 1,768,882	$ 763,037
Notes receivable	156	-
Accounts receivable (including related parties)	347,593	370,927
Other receivables (including related parties)	2,553	2,096
Guarantee deposits paid	477	451
Other financial assets	10,794	9,294
	$ 2,130,455	$ 1,145,805
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 165	$ 141
Financial liabilities at fair value through profit or loss	300	-
	$ 465	$ 141
Financial liabilities at amortised cost		
Accounts payable (including related parties)	$ 126,738	$ 102,143
Other payables (including related parties)	391,162	241,126
Corporate bonds payable	963,499	-
Long-term borrowings (Include Current)	926,136	464,904
Guarantee deposits received	888	516
	$ 2,408,423	$ 808,689
Guarantee deposits received (Include Current)	$ 205,082	$ -

B. Financial risk management policies

(a) The Company'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. To minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross derivative instruments to hedging purposes, and not for trading or speculation.

(b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company'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. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.

II. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Company enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(2) and 6(9).

III. The Company's businesses involve some non-functional currency operations. 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	$ 15,098	30.08	$ 454,146
JPY: NTD	184,014	0.2772	50,999
Non-monetary items：			
None.			
Financial liabilities			
Monetary items			
USD: NTD	$ 2,682	30.08	$ 80,679
JPY: NTD	60,988	0.2772	16,903

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	$	16,653	30.72	$	511,586
JPY: NTD		3,898	0.2785		1,086
Non-monetary items：					
None.					
Financial liabilities					
Monetary items					
USD: NTD	$	1,719	30.72	$	52,818
JPY: NTD		19,761	0.2785		5,503
Non-monetary items：					
None.					

IV. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to ($6,895) and $7,395, respectively.

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

	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%	$	4,541	$	-
JPY: NTD	1%		510		-
Non-monetary items:					
None.					
Financial liabilities					
Monetary items					
USD:NTD	1%	($	802)	$	-
JPY: NTD	1%	(	169)		-
Non-monetary items:					
None.					

	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%	$ 5,116	$ -
JPY: NTD	1%	11	-
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 528)	$ -
JPY: NTD	1%	(55)	-
Non-monetary items: None.			

Cash flow and fair value interest rate risk

I. The Company's interest rate risk mainly arises from short-term loans and long-term loans issued at floating rates, which exposes the Company to cash flow interest rate risk. In 2019 and 2018, the Company's loans issued at floating rates are mainly valuated in NTD. The long-term fixed-rate corporate bonds issued by the Company have no interest rate risk and fair value interest rate risk.

II. The Company's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contract. Therefore, the Company is exposed to the risk of future market interest rate changes.

III. For the years ended December 31, 2019 and 2018, it is estimated that a general increase or decrease of 0.25% in interest rates, with all other variables held constant, would decrease or increase the Company’s profit before tax approximately by $2,315 and $1,162, respectively, mainly due to the Company’s floating rate on bank loans.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company 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 assets at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

II. The Company regularly monitors and inspects the trading customer's credit limit based on its credit status and the market conditions, and would make adjustments in real time to manage credit risk. The Company only deals with banks and financial institutions with good credit ratings, so it is not expected to suffer credit risk as a result.

III. The Company manages their credit risk taking into consideration the entire Company’s concern. According to the Company’s credit policy, each local entity in the Company 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 granted by the board of directors based on internal or external ratings, and the usages of credit lines is monitored regularly.

IV. The company's acknowledgement of the contract as a situation of default is as follows: When the contract amount is expected to be uncollectible and it is necessary to transfer it to overdue receivable, it is deemed that a default has occurred.

V. The Company classifies customers’ accounts receivable, contract asset and right-of-use asset in accordance with customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

VI. 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 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.

VII. The Company used the forecas tability of consideration to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable, accounts receivable－related parties, contract asset, other receivable, and other receivables of allowance loss－related parties.

On December 31, 2019 and 2018, the loss rate is as follows:

	Not past due and up to 90 days past due	91-180 days past due	181-270 days past due	271-360 days past due	361 days past due	Total
December 31,2019						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 521,355	$ 187	$ -	$ -	$ -	$ 521,542
Loss allowance	$ -	$ 47	$ -	$ -	$ -	$ 47

	Not past due and up to 90 days past due	91-180 days past due	181-270 days past due	271-360 days past due	361 days past due	Total
December 31,2018						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 456,899	$ -	$ -	$ -	$ -	$ 456,899
Loss allowance	$ -	$ -	$ -	$ -	$ -	$ -

VIII. Movements in relation to the Company applying the modified approach to provide notes receivable, accounts receivable, accounts receivable－related parties, contract asset, other receivable, and other receivables of allowance loss－related parties are as follows:

	2019					
	notes receivable	accounts receivable	accounts receivable－related parties	contract asset	other receivable	other receivables of allowance loss－related parties
January 1	$ -	$ -	$ -	$ -	$ -	$ -
impairment loss	-	47	-	-	-	-
December 31	$ -	$ 47	$ -	$ -	$ -	$ -

	2018					
	notes receivable	accounts receivable	accounts receivable－related parties	contract asset	other receivable	other receivables of allowance loss－related parties
January 1_IAS 39	$ -	$ 17	$ -	$ -	$ -	$ -
Adjustments under new standards	$ -	$ -	$ -	$ -	$ -	$ -
January 1_IFRS 9	$ -	$ 17	$ -	$ -	$ -	$ -
impairment loss	-	(17)	-	-	-	-
December 31	$ -	$ -	$ -	$ -	$ -	$ -

(c) Liquidity risk

I. Cash flow forecasting is performed by individual operating entities within the Company and is aggregated by the Company's Finance Department. The Company's Finance Department shall monitor and forecast the Company's liquidity needs, ensure sufficient funds to meet operational needs, maintain sufficient unencumbered loan commitments at all times so the Company does not violate the relevant loan limits or terms. Such forecasts must take into account the Company's debt financing plans, debt obligations, compliance with the internal balance sheet's financial ratio targets.

II. Surplus cash over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. The chosen instruments have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Company held money market positions of $ 1,768,518 and $ 762,653 and other non-current assets of $ 10,794 and $ 9,294 respectively. It is expected to generate cash flow immediately to manage liquidity risk.

III. The Company's unused loan amounts are detailed as follows：

	December 31, 2019	December 31, 2018
Floating rate		
Due within 1 Year	$ 907,200	$ 440,000
Due over 1 Year	3,000	6,000
Fixed Interest Rate		
Due within 1 Year	-	-
Due over 1 Year	-	-
	$ 910,200	$ 446,000

IV. The following table reflects the non-derivative financial liabilities of the Company and the derivative financial liabilities delivered in net or total amount grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flow amount disclosed in the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2019	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Accounts payable	$ 126,738	$ -	$ -	$ -
Other payable	189,165	2,356	-	-
Lease liabilities	5,131	5,130	9,661	232,209
Corporate bonds payable	-	-	-	1,000,000
Long-term Loans (Due within One Year or One Business Cycle)	180,136	172,575	296,790	300,536
Guarantee deposits received	-	-	766	122

Non-derivative financial liabilities:

December 31, 2018	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Accounts payable	$ 102,143	$ -	$ -	$ -
Other payables	73,652	1,052	-	-
Long-term Loans (Due within One Year or One Business Cycle)	125,449	87,298	106,648	164,438
Guarantee deposits received	-	-	397	119

Derivative financial liabilities：

December 31, 2019	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Forward exchange contracts	$ 165	$ -	$ -	$ -
Convertible bonds Call and put options	300	-	-	-

Derivative financial liabilities：

December 31, 2018	6 Months or Less	6 Months to 1 Year	Within 1 to 2 Years	2 Years or Above
Forward exchange contracts	$ 141	$ -	$ -	$ -

(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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. 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 is as follows:

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 1,327	$ -	$ 1,327
Liabilities				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 165	$ -	$ 165
Convertible bonds				
Call and put options	-	-	300	300
	$ -	$ 165	$ 300	$ 465

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 130	$ -	$ 130
Liabilities				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss-current				
Forward exchange contracts	$ -	$ 141	$ -	$ 141

(b) The methods and assumptions the Company used to measure fair value are as follows:

I. The fair value of the Company's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

II. Forward foreign exchange contracts are usually evaluated based on current forward exchange rates.

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

D. The following chart is the movement of Level 3 for the years ended December 31, 2019:

	2019
	Convertible corporate bonds
January 1	$ -
Gains or losses recognized in profits or losses	
Non-operating income and expenses	100
Current issuance	200
December 31	$ 300
Changes in unrealized gains or losses included in profit or loss held in assets and liabilities at the end of the period (Note 1)	$ 100

Note1：Non-operating income and expenses

For the years ended December 31, 2018, there was no transfer into or out from Level 3.

E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. The Company engaged an external appraiser to perform the fair value measurements being categorized within Level 3, and the financial unit is in charge of valuation procedures to independently verify the fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable Input	Range (weighted average)	Relationship of inputs to fair Value
Convertible bonds Call and put options	$ 300	Binomial Model	Risk-free interest rate	0.5147%	The higher the risk-free interest rate, the lower the fair value
			Stock Value	74	The higher the stock price, the higher the fair value
			Volatility	40.76%	The higher the stock price volatility, the higher the fair value

H. The Company has carefully evaluated and selected the evaluation model and evaluation parameters. However, the use of different evaluation models or parameters may result in different evaluation results. For financial assets and financial liabilities classified as third level, if the evaluation parameters change, the impact on the current profit or loss and other comprehensive profits and losses are as follows:

	December 31, 2019					
			Recognized in profit or loss		Recognized as other comprehensive profit or loss	
	Input Value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial liabilities						
Convertible bonds	Risk-free Interest Rate	±20bp	$ 40	($ 30)	$ -	$ -
Call and put options	Stock Value	±10%	80	(110)	-	-
	Volatility	±5%	70	(40)	-	-

December 31, 2018：None.

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): None.

D. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

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

I. Trading in during the reporting periods: The Company signed a forward foreign exchange contract to buy Taiwan dollars to sell US dollars in 2019 with financial institutions. The purpose of this contract is financial hedging. The Company's net loss from engaging in forward foreign exchange contracts in 2019 was approximately $380.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 2.

(3) Information on investments in Mainland China

None.

14. Segment Information

Not applicable.

Phoenix Silicon International Corporation

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 1

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)
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Other receivables	$ 834	Receivable terms are 30-90 days after monthly closing	0.02%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Receivables	1,071	Payable terms are 30-90 days after monthly closing	0.02%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Sales	5,576	At normal transaction prices and terms	0.21%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	purchasing	54	At normal transaction prices and terms	0.00%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Rental income	3,178	At normal transaction prices and terms	0.12%
0	Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	1	Other income	120	At normal transaction prices and terms	0.00%

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 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: The details of important transactions in this table whether should be disclosed is determined by the Company according to the materiality principle.

Phoenix Silicon International Corporation

Information on investees

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31,2019	Balance as at December 31,2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019.	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
Phoenix Silicon International Corporation	Phoenix Battery Corporation, Ltd.	Taiwan	Battery Manufacturing	$ 251,000	$ 251,000	25,100,000	71.51	$ 88,728	($ 52,885)	($ 37,758)	

Phoenix Silicon International Corporation

Chairman：Mike Yang