



2019 ANNUAL REPORT

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-Notice to readers-

This is a translation of the 2019 Annual Report of Topco. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

TOPCO Spokesperson

Name: Della Huang

Title: Sr. Deputy General Manager

Email: della.huang@topco-global.com

Tel: (02) 8797-8020

TOPCO Deputy Spokesperson

Name: Joyce Lu

Title: Chief Finance Officer

Email: joyce.lu@topco-global.com

Tel: (02) 8797-8020

Corporate Headquarters and Branches:

●Headquarters: No.483, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 11493, Taiwan

Tel: (02) 8797-8020

●Hsinchu Office: 6F, No.12, Industry E. 9th Rd., Hsinchu City, Taiwan

Tel: (03) 564-2132

●Hukou Office:No.8, Wenhua Rd., Hukou Township, Hsinchu County, Taiwan

Tel: (03) 598-4282

●Taichung Office:1F, No.9, Ln.208, Guo'an 1st Rd., Xitun Dist., Taichung City, Taiwan

Tel: (04) 3503-5342

●Tainan Branch:1F, No.8, Chuangye Rd., Xinshi Dist., Tainan City, Taiwan

Tel: (06) 505-8940

●Kaohsiung Office:3F-10, No.12, Fuxing 4th Rd., Qianzhen Dist., Kaohsiung City, Taiwan

Tel: (07) 537-7626

Common Share Transfer Agent

Company: Grand Fortune Securities Co.,Ltd. Registrar & Transfer Agency Dept.

Address: 6F., No.6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan

Website: <http://www.gfortune.com.tw>

Tel: (02) 2371-1658

Certified Public Accountant (CPA) and accounting firm for the financial statements of the most recent year:

CPA: Yiu-Kwan Au & Szu-Chuan Chien

Company: KPMG Certificated Public Accountants

Address: 68F, No.7, Sec.5, Xinyi Rd., Taipei (TAIPEI 101Tower) Website:

www.kpmg.com/tw Tel: (02) 8101-6666

Offshore secondary exchange and disclosure information available at: None

Company website : <http://www.topco-global.com>

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Chapter 1 Letter to Shareholders

Dear Shareholders,

My great gratitude to our shareholders for their unwavering support for the past year. The Company has continued to expand our product offerings and market presence, as well as improve the business turnover and performance during the 2019 financial year, thanks to the joint effort of our dedicated management team and employees. The Company reported consolidated revenue in excess of NT\$30 billion, reaching NT\$31.7 billion, representing an increase of 9.84 percent against 2018. The Company's impressive operating results was directly benefited directly from higher demands for advanced technology materials of emerging technologies in the semiconductor foundry market, growth in the Mainland Chinese market and recognition of revenue upon completion of our construction projects. Consolidated net income after tax totaled NT\$1.717 billion and earnings per share were NT\$9.48. On the corporate governance front, the Company received numerous awards including the Taiwan Corporate Sustainability Award, 2019 Sports Activist Award presented by the Sports Administration of the Ministry of Education, and the 1st annual "Public Infrastructure Excellence Award" presented by the Tainan City Government in recognition of the outstanding quality in our construction work.

The Company generated approximately 80 percent of our revenue from the supply of semiconductor precision materials. for semiconductor. The Industrial Economics & Knowledge Center reported that the total production of the Taiwan integrated circuit IC industry for 2019 amounted to NT\$ 2,665.6 billion, an increase of 1.7 percent from the 2018 result. Amongst which the semiconductor foundry sector contributed to NT\$1,312.5 billion of the total annual gross production, representing an increase of 2.1 percent compared to that of 2018. Taiwan's semiconductor industry is relentlessly enhancing the technologies and constantly innovating its technology and it is also necessary to expand expanding production capacity from time to time capacities, which in turn saw the increasing demand for precision materials such as photoresists required for the new emerging processes. On the other hand, the Mainland Chinese Furthermore, China's semiconductor industry and continuously scales up with increasing demand for its domestic manufacturing capacity also experienced marked upscaling, with the integrated circuit , which makes its IC design industry a benefactor of growth support. To this end, the Company introduced foundry services Foundry Services Platform to assist the local integrated service IC design businesses houses in sourcing suitable OEM technology in a timely manner to fast-track foundry technologies and manufacturing capacities, and accelerating product launch induction. The trust placed in the Company's business model by our the supply chain clients enables us to deliver sustained growth in revenue.

In addition, the Company was successful in securing environmental engineering service deals including large-scale wastewater treatment and air-conditioning engineering projects, while at the same time launched waste disposal services and sale of chemical products. In an effort to continue improving performance and profitability, we also introduced the Total Quality Management system to improve our processes. On people and living, the Company constantly strives to safeguard the health of consumers through a few of our array of Anyong investee companies that engage in businesses that promote healthy and safe living. Most notable innovative product was the fish oil derived from bass Perch Essence that won the Monde Selection Gold Award. Our strategic cross-industry alliance with the leading convenience store chain 7-ELEVEN facilitates a seamless avenue for us to distribute our frozen produces through the convenience store supply chain.

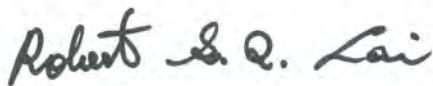
The outlook for 2020 is challenging due to a downturn in the global economy as result of the adverse impacts of the COVID-19 pandemic on the global supply chain and the uncertainties surrounding the US-China trade war. The semiconductor industry nevertheless expects to benefit from the innovation in the 5G technology, AIoT, big data and Internet of Vehicles Things and

continues observe steady growth. It is with much anticipation that we may still see remarkably growth in the semiconductor industry in the second half of 2020 shall the pandemic slow down by the end of the June. The Company's medium to long-term plan will focus on securing product distribution agreements and market expansion. To achieve these goals, the Company is looking to establish dedicated teams to take charge of the evaluation and procurement of newcritical materials required for the 5G technology, 3D printing and third generation semiconductor; We Company will also be on the lookout for suitable opportunities for strategic alliances to enhance the delivery of the foundry services, and the integration of the semiconductor and fabricated quartz enterprises; On the global scale, we plan to expand our foreign markets in Singapore and Vietnam and consolidate our warehouse businesses with the objective to strengthen our cost structure. Overall, the Company will continue our deep work on the semiconductor and high-tech materials market to boost our turnover.

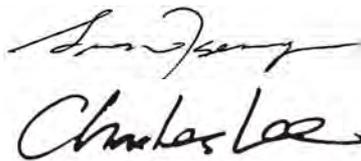
For the environmental protection business, the Company now offers the final treatment services of calcium fluoride sludge in addition to our existing waste disposal services. We hope to leverage on the circular economy to stimulate revenue generated from environmental engineering service and progress in the development of smart green pig farms. On people and living, the Company will focus on elevating the production efficiency of "AnYong Biotechnology", enhance the robustness of the products and product distribution of "AnYong Fresh Produce" and promote the tourism opportunities of the "Anyong Lohas" restaurant. We also plan to enhance the management and operation of the Taipei University Sports Stadium and invest in big health businesses.

It has been three decades since the Company came into being. For the sustainable operation and growth of the Company, we will continue our deep work in the high-tech industries, pave our way to gain presence in the Mainland ChineseChina and South-East Asian markets, rapidly fulfil the material and service demands of our customers, leverage on the circular economy and develop big heath related businesses, enhance talents recruitment and training, maintain our high performances and while at the same exercise corporate governance and fulfil our corporate social responsibilities.

Topco Scientific Co., Ltd.



Robert Lai
Chairman



Simon Tseng / Charles Lee
President



Nicole Lee
Chief Accounting Officer

Chapter 2 Company profile

I. Date of Incorporation: 17 February, 1990

II. History :

- 1990 •Topco Scientific Co., Ltd was established on 17 February, 1990 with a paid-up capital of NT\$5 million.
- 1993 •Increased capital by cash totaling NT\$ 11 million. Paid-up capital after the capital increase was NT\$ 16 million.
•Invested in Topco Quartz Products Co., Ltd.
- 1995 •Invested in Shin-Etsu Opto Electronic Co., Ltd. and Shin-Etsu Handotai Taiwan Co., Ltd.
•Increased capital by cash totaling NT\$ 20 million. Paid-up capital after the capital increase was NT\$ 36 million.
- 1996 •Increased capital by cash totaling NT\$ 24 million. Paid-up capital after the capital increase was NT\$ 60 million.
- 1997 •Increased capital by cash totaling NT\$ 60 million, and by capitalizing earnings totaling NT\$ 12 million. Paid-up capital after the capital increase was NT\$ 132 million.
•Obtained the ISO-9002 International Quality Certificate.
- 1998 •Awarded the “Customer Satisfaction Gold Award” by the Chung-Hua International Trade Association.
•Increased capital by cash totaling NT\$56.4 million, and by capitalizing earnings totaling NT\$39.6 million. Paid-up capital after the capital increase was NT\$228 million.
- 1999 •Increased capital by capitalizing earnings totaling NT\$17.1 million. Paid-up capital after the capital increase was NT\$245.1 million.
- 2000 •The Company became listed on the OTC exchange.
•Increased capital by capitalizing earnings totaling NT\$56.02 million. Paid-up capital after the capital increase was NT\$ 301.12 million.
- 2001 •Increased capital by cash totaling NT\$75 million, and by capitalizing earnings totaling NT\$ 141.95 million. Paid-up capital after the capital increase as NT\$ 518.07 million.
•Invested in Taiwan E & M Systems Co., Ltd.
- 2002 •Awarded the 2nd R.O.C. Golden Torch Award
•Increased capital by capitalizing earnings totaling NT\$ 161.38 million. Paid-up capital after the capital increase was NT\$ 679.45 million.
- 2003 •Invested in Topco Scientific (Shanghai) Co., Ltd.
•Increased capital by capitalizing earnings totaling NT\$ 96.53 million. Paid-up capital after the capital increase was NT\$ 775.98 million.
•The Company became a TWSE listed company from OTC listed company.
•Awarded the 11th Industrial Technology Advancement Award by the Ministry of

Economic Affairs.

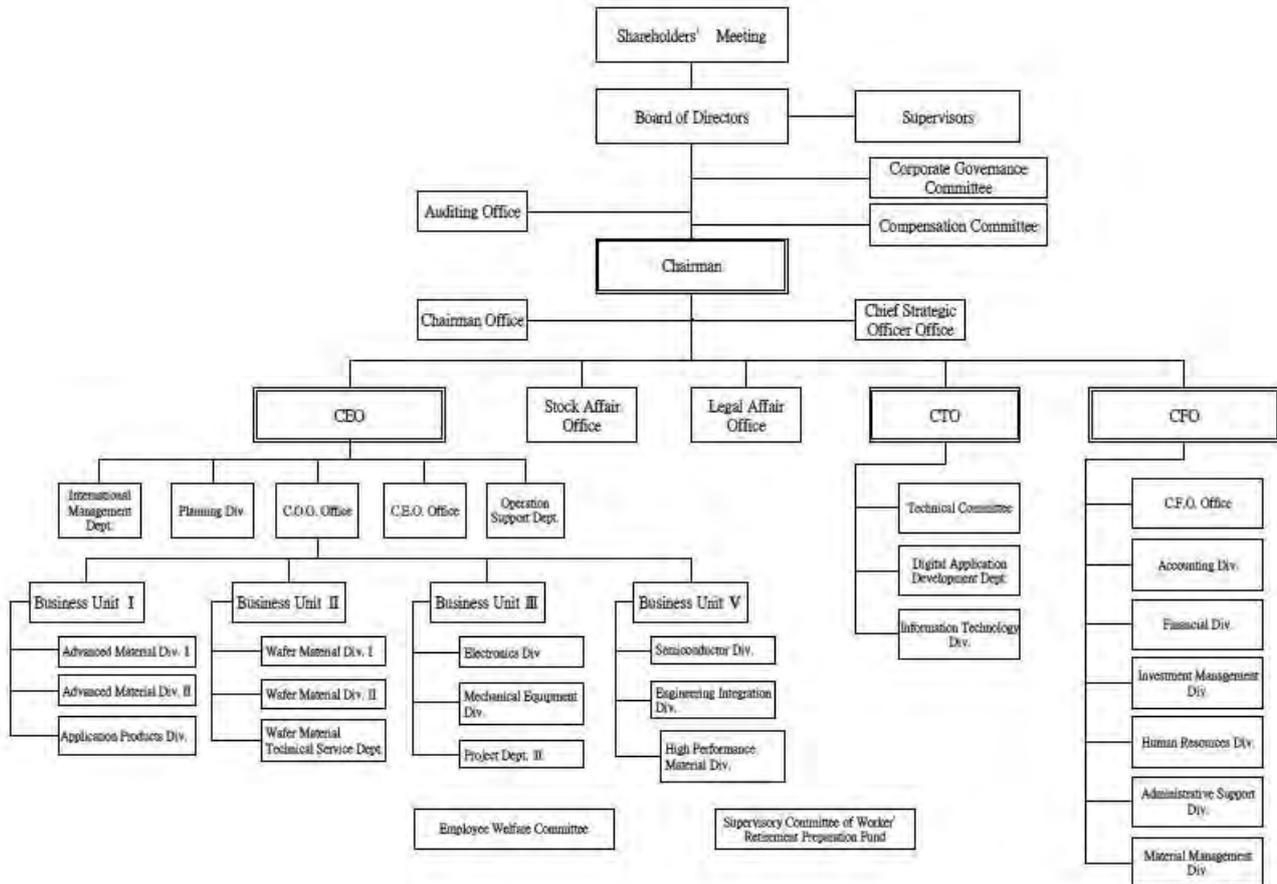
- 2004
- Invested in Topscience (s) Pte Ltd.
 - First issue of domestic unsecured convertible bonds. Total funds raised were NT\$720 million.
 - Increased capital by capitalizing earnings totaling NT\$136.4 million. Paid-up capital after the capital increase was NT\$ 912.38.
- 2005
- Invested in Suzhou Topco Construction Co., Ltd., Chongzhi International Investment Co., Ltd. and Chongsheng International Investment Co., Ltd.
 - Increased capital by capitalizing earnings totaling NT\$ 111.24 million. Unsecured convertible bonds were converted to 12,989 thousand shares of common stock. After registration, the total paid-up capital was NT\$1,153.51 million.
- 2006
- The Neihu Corporate HQ Building was inaugurated.
 - Unsecured convertible bonds were converted to 96 thousand shares of common stock. After registration, the total paid-up capital was NT\$1,154.46 million. The first issue of domestic unsecured convertible bonds was called back in accordance with the criteria for issuance and conversion.
 - Increased capital by capitalizing earnings totaling NT\$ 75.72 million. Paid-up capital after the capital increase was NT\$ 1,230.18 million.
- 2007
- Increased capital by capitalizing earnings and capital reserve totaling NT\$ 106.11 million. Paid-in capital after capital increased was NT\$ 1,336.29 million.
 - The Environmental Engineering Business Unit obtained the certification of OHSAS 18001, the Occupational Health and Safety Management System.
- 2008
- Increased capital by capitalizing earnings totaling NT\$ 65.08 million. Paid-in capital after the capital increase totaled NT\$ 1,401.38 million.
 - Invested in Chien Yueh Technology Engineering Co., Ltd., Kuan Yueh Technology Engineering Co., Ltd. and Jia Yi Energy Co., Ltd.
- 2009
- Increased capital by capitalizing earnings totaling NT\$ 28.03 million. Paid-up capital after capital increased was NT\$1,429.41 million.
- 2010
- Awarded the “Outstanding Contribution Award” by Dupont USA and received the 8th Annual Taiwan Golden Root Award.
 - Constructed the Taipei City “Northern Taiwan Opto Playcity” and received the “FIABCI World Prix d'Excellence Awards”.
 - Increased capital by capitalizing earnings totaling NT\$ 28.59 million. Paid-up capital after the capital increased totaled NT\$ 1,458 million.
- 2011
- Launched the Topco Scientific Co. Division A Social Baseball Team.
 - Increased capital by capitalizing earnings totaling NT\$ 29.16 million. Paid-up capital after capital increased totaled NT\$ 1,487.16 million.
 - Invested in Jing Chen Energy Co., Ltd.
- 2012
- Invested in Anyong Biotechnology Co., Ltd, Ching Yang Energy Co., Ltd., Topchem Materials Co., Ltd. and Anyong Freshmart Co., Ltd.
 - Employee stock options were converted to 419 thousand shares of common stock. After registration total paid-up capital was NT\$ 1,491.35 million.

- 2013 •Increased capital by capitalizing earnings totaling NT\$ 29.83 million and employee stock options were converted to 1,561 thousand shares of common stock. Paid-up capital after capital increase was NT\$ 1,536.79 million.
- 2014 •Increased capital by capitalizing earnings totaling NT\$ 30.96 million and employee stock options were converted to 1,134 thousand shares of common stock. Paid-up capital after capital increase was NT\$ 1,579.09 million.
- 2015 •Increased capital by capitalizing earnings totaling NT\$ 47.37 million. Paid-up capital after capital increase was NT\$ 1,626.47 million.
- 2016 •Invested in Yilan Anyong Lohas Co., Ltd.
•Increased capital by capitalizing earnings totaling NT\$ 32.52 million. Paid-up capital after capital increase was NT\$ 1,658.99 million.
- 2017 •The grand opening of the “Anyo Museum” in Yilan.
•Increased capital by cash totaling NT\$ 158 million. Paid-up capital after the capital increase was NT\$ 1,816.99 million.
- 2018 •Obtained the “Taiwan I Sports” certification by the Sports Administration, Ministry of Education and awarded the “TCSA Corporate Sustainability Report Gold Award” and the “Social Inclusion Award”.
- 2019 •ISO 9001: 2015 Quality Management System: Topco Scientific Co., Ltd. increased the scope of certification to include all the Company’s products and the subsidiary company, Topco Scientific (Shanghai) was certified to meet the ISO 9001:2015 standards for the first time.
•Received the “Sports Activist Award- Gold Award and Long-term Sponsorship Award” by the Sports Administration of the Ministry of Education.
•Received the TCSA “Corporate Sustainability Award”, “Corporate Sustainability Report Silver Award”, “People Development Award” and “Social Inclusion Award”.

Chapter 3 Corporate governance

I. Organization

(I) Organization Structure (Apr.30, 2020)



(II) Operations of major departments

Auditing Office	Conduct, examine and assess deficiencies in the internal control system, evaluate the efficiency of operations, and offer timely recommendations for improvements as well as assist the Board of Directors and managerial officers to fulfill their responsibilities; conduct special audits on the basis of the Company's policy and demand by the managerial staff.
Chairman Office	Responsible for the formulation, management, and supervision of the direction of business operations and business targets.
Chief Strategic Officer Office	Formulate medium to long-term directions and strategies; build and maintain media relations; safeguard the corporate image and prepare internal and external public relation contents/releases;
Legal Affair Office	Draft, review and prepare contents of contractual agreements and manage the contract files; provide legal opinions and handle litigated and non-litigated events.
Stock Affair Office	Handle media release related to shareholders' meetings and dividends, manage shareholder services and corporate governance practices.
C.E.O Office	Assist all business units and departments in improving operating performance and process efficiency.
C.O.O Office	Responsible for the strategic analysis, and planning and management of the operations of the Group's companies and business units.
Planning Div.	Compile the annual plans of all departments and conduct analysis of the operating performance of all units; carry out performance management and appraisal; plan and propel the Company's regular corporate events and internal improvement projects; plan and execute the Company's marketing events and exhibitions.
International Management Dept.	Operation and management of offshore business units.
Operation Support Dept.	Assist the Group's companies in collecting and analyzing operational data.
Technical Committee	Build the platform for new product development and technology information exchange to strengthen the integration of the Company's internal resources and research capabilities; as well as stimulate the drive of the Company's employees to proactively develop new markets.
Digital Application Development Dept.	In line with the Company's strategic business development plans, provide AI smart technology solutions; consolidate internal resources and set up executive teams to execute the various digital application projects.
Information Technology Div.	Build, introduce and maintain the Company's software and hardware information system; smart technology application development and information security risk management.
C.F.O Office	Assist the various departments and units in conducting management different types of risks to improve operational efficiency; provide project-based risk evaluation report.
Accounting Div.	Carry out accounting operations; control the preparation of the annual budget reports; evaluate and executive tax planning; execute payroll, bonus adjustments and distribution.

Financial Div.	Plan the long-term and short-term funding requirements and utilization; manage loans to others and endorsements/guarantees; monitor and project cash flows and manage treasury operations.
Investment Management Div.	Conduct investment evaluation and project-based analysis; conduct investment management and quality operation events.
Human Resources Div.	Responsible for people management and organizational development. Formulate human resources strategy and policy, execute, and control the human resources system. Plan and execute the human resources development strategy and employee training.
Administrative Support Div.	Manage office equipment, fixed assets, and miscellaneous equipment; manage land, buildings, renting (loaning) and leasing (loaning) of dormitory; formulate and execute administrative policies and procedures.
Material Management Div.	Execute procurement, import/export operations, logistics control and ensure normal warehouse operations; responsible for supplier management.
Business Unit	Plan and execute the annual operation policy and business strategies of the business unit; manage targets of the business unit to be met and business activities; manage accounts receivable and inventory. Under the blueprint of the Company's business goals and business strategies, lead all employees of the business unit divisions to achieve the set business targets.

II. Documents of directors, supervisors, president, vice presidents, associate vice presidents, and managers of each departments and Div.s :

(I) Directors and Supervisors information :

May 25, 2020

Position	Nationality or Place of Registration	Name (Gender)	Date Elected (First Elected Date)	Term of Service	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experience	Positions concurrently Held in other companies
					Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)		
Chairman	R.O.C.	Jia Pin Investment Development Company Limited representative: Robert Lai (Male)	2017.6.14 (2014.6.24)	3 years	5,741,903 0	3.46% 0%	6,179,382 0	3.40% 0%	0 20,000	0% 0.01%	Ph.D., Department of Business Administration, National Taipei University Master of Business Administration, Indiana University of Pennsylvania. U.S.A. Chairman, CSBC Corporation, Taiwan Director General, Small & Medium Enterprise Administration, Ministry of Economic Affairs Deputy Director General, Department of Commerce, Ministry of Economic Affairs	Chairman, Topco Scientific Co.,Ltd. Independent Director, Yi Jinn Industrial Co.,Ltd. Independent Director, LEATEC Fine Ceramics Co.,Ltd. Independent Director, PhytoHealth Co.,Ltd. Independent Director, SYSAGE Technology Co., Ltd.
Director	R.O.C.	J. W. Kuo (Male)	2017.6.14 (1990.2.17)	3 years	9,506,323	5.73%	8,133,759	4.48%	69,030	0.04%	Ph.D., Department of Business Administration, National Taipei University · Master of Business Administration, National Taipei University	Chairman, Topco Group Chairman, Japan Topco Scientific Co.,Ltd. · Anyong Biotechnology Inc. & Yilan Anyong Lohas Co., Ltd.
Director	R.O.C.	Jeffery Pan (Male)	2017.6.14 (1990.2.17)	3 years	1,687,565	1.02%	1,500,817	0.83%	0	0%	Master of Business Administration, National Chengchi University	Vice Chairman, Topco Group Chairman, Topco Scientific (Shanghai) Co.,Ltd. · Suzhou Topco Construction Ltd. · Hong Kong Topco Trading Ltd & Shanghai Chong Yao Trading Co., Ltd.

Position	Nationality or Place of Registration	Name (Gender)	Date Elected (First Elected Date)	Term of Service	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experience	Positions concurrently Held in other companies
					Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)		
Director	R.O.C.	Simon Tseng (Male)	2017.6.14 (1997.9.5)	3 years	943,095	0.57%	1,029,950	0.57%	0	0%	Master of Business Administration, National Taipei University	C.E.O, Topco Scientific Co.,Ltd. Chairman, Anyong Freshmart, Inc. · Kanbo Biomedical Co.,Ltd. · Taiwan E&M Systems Inc. & General Precise Technology Co.,Ltd.
Director	R.O.C.	Charles Lee (Male)	2017.6.14 (1997.9.5)	3 years	1,091,766	0.66%	1,129,948	0.62%	0	0%	Master of Business Administration, China Europe International Business School	C.E.O, Topco Scientific Co.,Ltd. Chairman, Topco International Investment Co.,Ltd. · Topchem Materials Co.,Ltd. · Jing Chen Energy Co., Ltd. · Jing Yang Energy Co.,Ltd. · Jing Yueh Energy Co.,Ltd. · Kuan Yueh Technology Engineering Co.,Ltd. · Ding Yue Energy Co., Ltd. & Topscience(S) Pte Ltd.
Independent director	R.O.C.	Chen, Linsen (Male)	2017.6.14 (2014.6.24)	3 years	0	0%	0	0%	23,751	0.01%	Master of Business Administration , National Taipei University President of Joint Credit Information Center Chief Secretary , Ministry of Finance	Attorney-in-charge of Linsen Law Firm
Independent director	R.O.C.	Sun,Pi-Chuan (Female)	2017.6.14 (2015.6.9)	3 years	0	0%	0	0%	0	0%	Ph.D., Department of Business Administration, National Taipei University Professor, Department of Business Management, Tatung University	Dean, College of Management, Tatung University
Supervisor	R.O.C.	Fu-Hsiung, Wang (Male)	2017.6.14 (2002.5.17)	3 years	0	0%	0	0%	0	0%	Taipei Engineering Institute, Chemical Engineering Dept. Chairman of DIC Colorants Taiwan Co., Ltd.	Consultant of Chi Mei Trading Co., Ltd.

Position	Nationality or Place of Registration	Name (Gender)	Date Elected (First Elected Date)	Term of Service	Shares Held		Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experience	Positions concurrently Held in other companies
					Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage(%)		
Supervisor	R.O.C	Pei-fen, Chang (Female)	2017.6.14 (2011.6.15)	3 years	1,224,700	0.74%	1,198,963	0.66%	3,209,681	1.77%	Chungyu Institute	Chairman of Zhi Jia Investment Company Limited
Supervisor	R.O.C.	Guang-Jer, Lai (Male)	2017.6.14 (2017.6.14)	3 years	37,974	0.02%	40,867	0.02%	3,831	0.00%	Doctor of Engineering, Tokyo Institute of Technology, Professor of Mechanical Engineering Dept. Tatung University, Director of Research Center of Production Technology, Tatung Company	Emeritus chair professor of Mechanical Engineering Dept. Tatung University
Company shares held by directors in the names of other persons : None Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None												

Note : Major Shareholder of Topco's Director that is an Institutional Shareholder

Director that is an Institutional Shareholder of Topco	Major Shareholder
Jia Pin Investment Development Company Limited	Kuo,Kuan-Hung(31.2%) 、 Kuo,Yu-Chun(30.8%) 、 Kuo,I-Hsuan(30.8%)

Professional qualifications and independence of the Directors

Name	Has more than 5 years of work experience and the following professional qualifications			Meet conditions of independence (note)												Number of other public companies where the Director concurrently serves as an Independent Director	
	Condition	An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who is necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	11		12
Jia Pin Investment Development Company Limited representative: Robert Lai	✓		✓				✓	✓		✓	✓	✓	✓	✓	✓	✓	4
J. W. Kuo	✓		✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Jeffery Pan			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Simon Tseng			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Charles Lee			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Linsen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Sun, Pi-Chuan	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Fu-Hsiung, Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pei-fen, Chang			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Guang-Jer, Lai	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : Please add "✓" in the field under each criteria number if the director meets the criteria two years prior to being elected and during his/her term of service .

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NTS500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

(II) Documents of president, vice president, associate vice president, and managers of each department and Div. :

May 25, 2020

Position	Nationality or Place of Registration	Name (Gender)	Date Elected	Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experience	Positions concurrently Held in other companies
				Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage (%)		
Group Chairman	R.O.C.	J. W. Kuo (Male)	2014.10.3	8,133,759	4.48%	69,030	0.04%	Ph.D., Department of Business Administration, National Taipei University · Master of Business Administration, National Taipei University	Chairman, Japan Topco Scientific Co.,Ltd. · Anyong Biotechnology Inc.
Group vice Chairman	R.O.C.	Jeffery Pan (Male)	2017.6.14	1,500,817	0.83%	0	0%	Master of Business Administration, National Chengchi University	Chairman, Topco Scientific (Shanghai) Co.,Ltd. · Suzhou Topco Construction Ltd. · Hong Kong Topco Trading Ltd & Shanghai Chong Yao Trading Co., Ltd.
President /CEO	R.O.C.	Simon Tseng (Male)	2016.8.1	1,029,950	0.57%	0	0%	Master of Business Administration, National Taipei University	Chairman, Anyong Freshmart, Inc. · Kanbo Biomedical Co.,Ltd. · Taiwan E&M Systems Inc. & General Precise Technology Co.,Ltd.
President /CEO	R.O.C.	Charles Lee (Male)	2016.8.1	1,129,948	0.62%	0	0%	Master of Business Administration, China Europe International Business School	Chairman, Topco International Investment Co.,Ltd. · Topchem Materials Co.,Ltd. · Jing Chen Energy Co., Ltd. · Jing Yang Energy Co.,Ltd. · Jing Yueh Energy Co.,Ltd. · Kuan Yueh Technology Engineering Co.,Ltd. · Ding Yue Energy Co., Ltd. & Topscience(S) Pte Ltd.
CFO	R.O.C.	Joyce Lu (Female)	2008.2.1	78,504	0.04%	0	0%	Master of Business Administration, National Taipei University National Chengchi University, Department of Accounting	Chairman, Topco Investment Co., Ltd. · Topco Group · Asia Topco
COO	R.O.C.	James Wang (Male)	2012.1.1	160,411	0.09%	474,871	0.26%	Master of Business Administration, National Chengchi University	Chairman, Eco Technical Services Co., Ltd.
COO	R.O.C.	Dennis Chen (Male)	2018.3.1	7,226	0.00%	220,077	0.12%	Master of Chemistry, National Taiwan University National Tsing Hua University, Department of Chemistry	None
COO	R.O.C.	Daniel Wu (Male)	2018.3.1	99,237	0.05%	12,000	0.01%	National Central University, Department of Business Administration	None
COO	R.O.C.	Eugene Lee (Male)	2016.2.1	76,379	0.04%	10,000	0.01%	Master of Materials Science and Engineering Dept. University of Michigan	None
CTO	R.O.C.	Tina Ding (Female)	2016.3.2	2,000	0.00%	0	0%	Master of Electrical Engineering, National Taiwan University	None

Position	Nationality or Place of Registration	Name (Gender)	Date Elected	Shares Currently Held		Shares held currently by spouse or underage children		Primary work or academic experience	Positions concurrently Held in other companies
				Number of Shares	Shareholding percentage(%)	Number of Shares	Shareholding percentage (%)		
General Manager of BU	R.O.C.	Daniel Yang (Male)	2016.3.2	5,693	0.00%	0	0%	Master of Chemistry, National Taiwan University	Chairman, Topscience Vietnam Co.,Ltd · Anyong (S) Pte. Ltd.
General Manager of BU	R.O.C.	Steve Tan (Male)	2016.2.1	51,978	0.03%	0	0%	Master of Technology Environmental Engineering, Stevens Institute	Chairman, Topco Chemical (Z.F.T.Z.) Co., Ltd · Topco Engineering (SUZHOU) LTD. · Xiang Yueh Co., Ltd
Sr. Deputy General Manager	R.O.C.	Kevin Lin (Male)	2015.5.5	6,904	0.00%	0	0%	Master of Chemical Engineering, National Taiwan University	None
Vice President	R.O.C.	Monica Chiu (Female)	2011.1.1	10,897	0.01%	0	0%	Master of Business Management, University of Wisconsin	None
Sr. Deputy General Manager	R.O.C.	Reggie Liu (Male)	2014.4.14	28,654	0.02%	0	0%	Chung yuan Christian University, department of Electronic Engineering	None
Sr. Deputy General Manager	R.O.C.	Eva Mai (Female)	2016.3.2	58,161	0.02%	0	0%	Master of Business Administration, National Taipei University	None
Sr. Deputy General Manager	R.O.C.	Della Huang (Female)	2017.4.1	118,179	0.07%	0	0%	Feng Chia University, Department of International Trade	Chairman, City Space International Co., Ltd
Vice President	R.O.C.	Nicole Lee (Female)	2020.4.1	5,000	0.00%	0	0%	Master degree in Accounting, National Chengchi University	None

The Company's shares held by managers in the name of other persons: None.

Any spouse or relative within the second degree of kinship of any manager who serves as the Company's executive : None.

III 、 Compensation of Directors, Supervisors, President, and Vice Presidents :

(I) Compensation to Directors

Unit : NT\$ thousands, Dec. 31, 2019

Title	Name	Director's compensation								Ratio of sum of items A, B, C and D to profit (%) (Note 6)		Compensation earned by a Director who is an employee of the Company								Ratio of sum of items A, B, C, D, E, F and G to profit (%) (Note 6)		Compensation paid to Directors from non-consolidated affiliates or parent company	
		Compensation (A) (Note 1)		Pension upon retirement (B)		Director's remuneration (C) (Note2)		Business execution Expenses (D) (Note 3)				Salaries, bonuses and special expenses (E) (Note 4)		Pension upon retirement (F)		Employee's remuneration (G) (Note 5)							
		From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	Cash	Stock	Cash	Stock	From Topco	From All Consolidated Entities		
Director	Jia Pin Investment Development Company Limited representative: Robert Lai																						
	J. W. Kuo	0	0	0	0	16,842	16,842	0	0	0.98%	0.98%	52,551	58,257	1,779	1,779	7,000	0	7,000	0	4.54%	4.89%	None	
	Jeffery Pan																						
	Simon Tseng																						
	Charles Lee																						
Independent Director	Chen, Linsen	0	0	0	0	2,807	2,807	36	36	0.17%	0.17%	0	0	0	0	0	0	0	0	0.17%	0.17%	None	
	Sun, Pi-Chuan																						

1. Remuneration policies, standards/packages, the linkage to responsibility taking and future risk exposure:
The remuneration paid to independent Directors is in compliance with TOPCO's Articles of Incorporation §20 and "Rule for distribution of Compensation to Director". The rules states the compensation should be based on the Company's overall operating performance with consideration of the contribution of each director to Company, including the level of involvement and actual time after appointment. Related performance and the plausibility of compensations are both approved by Remuneration Committee and the Board meetings.

2. Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to TOPCO and all consolidated entities 2019: None

Table of compensation ranges

Compensation range for each Director	Name of Director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	From Topco	From All Consolidated Entities(I)	From Topco	From All Consolidated Entities(J)
Less than NT\$1,000,000				
NT\$1,000,000(inclusive)~NT\$2,000,000	Chen, Linsen、Sun,Pi-Chuan	Chen, Linsen、Sun,Pi-Chuan	Chen, Linsen、Sun,Pi-Chuan	Chen, Linsen、Sun,Pi-Chuan
NT\$2,000,000(inclusive)~NT\$3,500,000	J.W.Kuo、Jeffery Pan、SimonTseng、Charles Lee	J.W.Kuo、Jeffery Pan、SimonTseng、Charles Lee		
NT\$3,500,000(inclusive)~NT\$5,000,000				
NT\$5,000,000(inclusive)~NT\$10,000,000	Jia Pin Investment Development Company Limited			
NT\$10,000,000(inclusive)~NT\$15,000,000			Robert Lai、SimonTseng、Charles Lee	Robert Lai、SimonTseng、Charles Lee
NT\$15,000,000(inclusive)~NT\$30,000,000			J.W.Kuo、Jeffery Pan	J.W.Kuo、Jeffery Pan
NT\$30,000,000(inclusive)~NT\$50,000,000				
NT\$50,000,000(inclusive)~NT\$100,000,000				
More than NT\$100,000,000				
Total	7 persons	7 persons	8 persons	8 persons

Note 1 : Compensation for Directors in 2019, including salaries, allowance, severance pay, bonuses, etc.

Note 2 : The amount proposed for distribution to Directors as remuneration, as approved by the Board Meeting in 2020.

Note 3 : Expenses relating to business execution by Directors in 2019, including transportation allowances, subsidies, accommodations, and company cars.

Note 4 : Remuneration paid to Directors who also served as President, Vice president, managerial officers or employees in 2019, including salary, allowances, severance pay, bonuses, transportation allowances, accommodations and company car.

Note 5 : Employee's remuneration, including stock and cash, paid to Directors who also served as President, Vice President, managerial officers or employees in 2019. The Employee's remuneration of 2019 approved by the Board Meeting in 2020 and estimated base on the amount distributed in 2018 proportionally.

Note 6 : Profit refers to the profit for the year in the 2019 parent company only financial statements of Topco under Taiwan IFRS.

(II) Compensation to Supervisors

Unit : NT\$ thousands, Dec. 31, 2019

Title	Name(Note 4)	Supervisor's compensation						Ratio of sum of items A, B, and C to profit (%) (Note 3)		Compensation paid to Supervisors from non-consolidated affiliates
		Compensation(A)		remuneration(B) (Note 1)		Business execution Expenses (C) (Note 2)		From Topco	From All Consolidated Entities	
		From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities			
Supervisor	Fu-Hsiung, Wang	0	0	4,210	4,210	48	48	0.25%	0.25%	Note
Supervisor	Pei-fen, Chang									
Supervisor	Guang-Jer, Lai									

Table of compensation ranges

Compensation range for each supervisor	Name of supervisor	
	Sum of the first 3 items (A+B+C)	
	From Topco	From All Consolidated Entities (D)
Less than NT\$1,000,000		
NT\$1,000,000(inclusive)~NT\$2,000,000	Fu-Hsiung, Wang、Pei-fen, Chang、Guang-Jer, Lai	Fu-Hsiung, Wang、Pei-fen, Chang、Guang-Jer, Lai
NT\$2,000,000(inclusive)~NT\$3,500,000		
NT\$3,500,000(inclusive)~NT\$5,000,000		
NT\$5,000,000(inclusive)~NT\$10,000,000		
NT\$10,000,000(inclusive)~NT\$15,000,000		
NT\$15,000,000(inclusive)~NT\$30,000,000		
NT\$30,000,000(inclusive)~NT\$50,000,000		
NT\$50,000,000(inclusive)~NT\$100,000,000		
More than NT\$100,000,000		
Total	3 persons	3 persons

Note 1 : Supervisor's remuneration approved by the Board Meeting in 2020.

Note 2 : Expenses relating to business execution by Supervisor in 2019, including transportation allowances, subsidies, accommodations, and company cars

Note 3 : Profit refers to the profit for the year in the 2019 parent company only financial statements of Topco under Taiwan IFRS.

(III) Compensation for President and Vice Presidents

Unit : NT\$ thousands, Dec. 31, 2019

Title	Name (Note5)	Salary (A) (Note 1)		Pension upon retirement (B)		Bonuses and special expenses etc (C) (Note 2)		Employee's remuneration(D) (Note 3)				Ratio of sum of items A, B, C and D to profit (%) (Note 4)		Compensation received from non-consolidated affiliates
		From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco	From All Consolidated Entities	From Topco		From All Consolidated Entities		From Topco	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Group Chairman	J. W. Kuo	57,645	67,885	4,832	4,832	60,826	68,754	18,010	-	18,010	-	8.20%	9.26%	None
Group vice Chairman	Jeffery Pan													
President /CEO	Simon Tseng													
President /CEO	Charles Lee													
CFO	Joyce Lu													
COO	James Wang													
COO	Dennis Chen													
COO	Daniel Wu													
COO	Eugene Lee													
CTO	Tina Ding													
General Manager of BU	Daniel Yang													
General Manager of BU	Johnny Huang													
General Manager of BU	Steve Tan													
Sr. Deputy General Manage	Kevin Lin													
Vice President	Monica Chiu													
Sr. Deputy General Manager	Reggie Liu													
Sr. Deputy General Manager	Eva Mai													
Sr. Deputy General Manager	Della Huang													
Vice President	Phil Lin													
Vice President	Tateo Tsai													

Table of compensation ranges

Compensation range for each President and Vice President	Name of President and Vice President	
	From Topco	From All Consolidated Entities E
Less than NT\$1,000,000	Tateo Tsai	
NT\$1,000,000(inclusive)~NT\$2,000,000		
NT\$2,000,000(inclusive)~NT\$3,500,000	Steve Tan 、 Phil Lin	Phil Lin 、 Tateo Tsai
NT\$3,500,000(inclusive)~NT\$5,000,000	Monica Chiu 、 Kevin Lin 、 Tina Ding 、 Della Huang	Monica Chiu 、 Kevin Lin 、 Tina Ding 、 Della Huang
NT\$5,000,000(inclusive)~NT\$10,000,000	Joyce Lu 、 James Wang 、 Daniel Wu 、 Eugene Lee 、 Daniel Yang 、 Johnny Huang 、 Reggie Liu 、 Eva Mai	Joyce Lu 、 James Wang 、 Daniel Wu 、 Eugene Lee 、 Johnny Huang 、 Steve Tan 、 Reggie Liu 、 Eva Mai
NT\$10,000,000(inclusive)~NT\$15,000,000	J.W.Kuo 、 Jeffery Pan 、 Simon Tseng 、 Charles Lee 、 DennisChen	J.W.Kuo 、 Simon Tseng 、 Charles Lee 、 DennisChen 、 Daniel Yang
NT\$15,000,000(inclusive)~NT\$30,000,000		Jeffery Pan
NT\$30,000,000(inclusive)~NT\$50,000,000		
NT\$50,000,000(inclusive)~NT\$100,000,000		
More than NT\$100,000,000		
Total	20 persons	20 persons

Note 1 : Salaries, allowances, and severance paid for President and Vice President in 2019.

Note 2 : Bonuses, allowance, subsidies, accommodations, and company cars in 2019.

Note 3 : The Employee's remuneration of 2019 approved by the Board Meeting in 2020 and estimated base on the amount distributed in 2018 proportionally.

Note 4 : Profit refers to the profit for the year in the 2019 parent company only financial statements of Topco under Taiwan IFRS.

Note 5 : Tateo Tsai leaves on May.31,2019, Phil Lin leaves on Apr.30,2020.

(IV) Employee's remuneration amount paid to managers

Unit : NT\$ thousands, Dec. 31, 2019

	Title	Name (Note 2)	Stock	Cash	Total	Ratio of total amount to the net income after taxes (%)
Manager	Group Chairman	J. W. Kuo	-	18,010	18,010	1.05%
	Group vice Chairman	Jeffery Pan				
	President /CEO	Simon Tseng				
	President /CEO	Charles Lee				
	CFO	Joyce Lu				
	COO	James Wang				
	COO	Dennis Chen				
	COO	Daniel Wu				
	COO	Eugene Lee				
	CTO	Tina Ding				
	General Manager of BU	Daniel Yang				
	General Manager of BU	Johnny Huang				
	General Manager of BU	Steve Tan				
	Sr. Deputy General Manage	Kevin Lin				
	Vice President	Monica Chiu				
	Sr. Deputy General Manager	Reggie Liu				
	Sr. Deputy General Manager	Eva Mai				
	Sr. Deputy General Manager	Della Huang				
	Vice President	Phil Lin				
	Vice President	Tateo Tsai				
Vice President	Nicole Lee					

Note 1 : Employees' remuneration, including stock and cash, paid to Management team in 2019. The Employee's remuneration of 2019 approved by the Board Meeting in 2020 and estimated base on the amount distributed in 2018 proportionally. Profit refers to the profit for the year in the 2019 parent company only financial statements of Topco under Taiwan IFRS.

Note 2 : Tateo Tsai leaves on May.31,2019, Phil Lin leaves on Apr.30,2020.

(V) Total remuneration as a percentage of profit as paid by the company, and all consolidated entities, during the past two fiscal years to its Directors, Supervisors, the President, and Vice President. As well as the policies and standards for the payment of compensation, the procedures for determining the compensation, and the linkages to performance and future risk exposure.

1. Total remuneration as a percentage of profit.

	Ratio of 2019 total remuneration to profit (%)		Ratio of 2018 total remuneration to profit (%)	
	Topco	All Consolidated Entities	Topco	All Consolidated Entities
Directors	4.71	5.06	4.87	5.24
Supervisors	0.25	0.25	0.25	0.25
President and Vice Presidents	8.20	9.26	9.08	10.06

Note: The column of ratio of 2019 total remuneration to profit is tentative figure due to the remuneration for Directors, Supervisors and President and Vice Presidents in 2019 approved by the Board Meeting on Mar 27, 2020 only.

2. Policies, standards, and packages for payment of compensation, as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposure.

- (1) Remuneration should be based on the Company's overall operating performance with consideration of the contribution of each Directors, Supervisors and executive officers to the company and the risk the Company will face. The remuneration system is reviewed in a timely manner depending on the actual operating conditions and relevant laws and regulations to reach a balance between the company sustainable operation and risk control.
- (2) The remuneration for the Directors and Supervisors are determined in accordance with the procedures set force in TOPCO's Article of Incorporation and the Company's overall operating performance; the total compensation paid to the executive officers is decided based on their job responsibility, contribution and with reference to industry.
- (3) The Remuneration Committee was set up at the Board Meeting on Dec. 30, 2011. The compensation are reviewed regularly in Remuneration Committee then submitted to the Board Meeting for approval.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

1. The Company had convened Five Board of Directors meetings in 2019 with the following attendance :

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Note
Chairman	Jia Pin Investment Development Company Limited representative: Robert Lai	5	0	100	
Director	J. W. Kuo	5	0	100	
Director	Jeffery Pan	3	0	60	
Director	Simon Tseng	5	0	100	
Director	Charles Lee	5	0	100	
Independent director	Chen, Linsen	5	0	100	
Independent director	Sun,Pi-Chuan	5	0	100	
Supervisor	Fu-Hsiung, Wang	5	0	100	
Supervisor	Pei-fen, Chang	5	0	100	
Supervisor	Guang-Jer, Lai	4	0	80	

Other items that shall be recorded :

1. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors.

(1)Matters included in Article 14-3 of the Securities and Exchange Act :

Board of Directors	Details of proposal and results of resolution
10th Term 11th March 19,2019	<p>Proposal :</p> <ul style="list-style-type: none"> •Discussed the proposal to change the Company's CPAs. •Discussed the review of the suitability and independence of the Company's CPAs. •Discussion the proposal to revise the Company's "Procedures for Loan to Others and Endorsements and Guarantees". <p>Independent Directors' opinion : None. The Company's handling of the Independent Directors' opinion : None. Resolution : All directors attending unanimously resolved to adopt the proposal.</p>
10th Term 12th May 8,2019	<p>Proposal : Discussed the proposal to revise the Company's "Procedures for Acquisition or Disposal of Assets".</p> <p>Independent Directors' opinion : Additional explanatory notes on the reason to remove Article 4.4 are provided in page 1 of Attachment 4. The Company's handling of the Independent Directors' opinion : Revise certain articles of the Company's "Procedures for Acquisition or Disposal of Assets" in accordance with the resolution of the Board of Directors. Resolution : All directors attending unanimously resolved to adopt the proposal.</p>

Board of Directors	Details of proposal and results of resolution
10th Term 14th Nov.8,2019	<p>Proposal :</p> <ul style="list-style-type: none"> •Discussed the proposal to appoint the chief corporate governance officer. •Discussed the proposal to change the chief internal auditor. <p>Independent Directors' opinion : None. The Company's handling of the Independent Directors' opinion : None. Resolution : All directors attending unanimously resolved to adopt the proposal.</p>

(2) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an Independent Director expressed a dissenting or qualified opinion that has been recorded or stated by writing : None

2. If there are directors' avoidance of motions in conflict of interest, the directors' name, contents of motion, causes for avoidance and voting should be specified :

Board of Directors	Details of proposal and results of resolution
10th Term 15th Dec.25,2019	<p>Proposal : Items to be resolved by the Company's Remuneration Committee.</p> <p>Independent Directors' opinion : Independent Directors Chen, Linsen and Sun,Pi-Chuan did not participate in the voting of the proposal for remuneration to directors and supervisors for 2018 to avoid conflict of interest. The Company's handling of the Independent Directors' opinion : None. Resolution : All directors attending unanimously resolved to adopt the proposal.</p>

3. Implementation of self-evaluations by the Company's Board of Directors :

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Conduct review on the performance of the Board of Directors for the period from Jan.1 to Dec.31,2019	Include the performance review of the Board of Directors, individual members of the Board and functional committees.	Self-assessment conducted by the Board of Directors and members of the Board.	<p>(1) Performance review of the Board of Directors: include the level of involvement in the Company's operation, quality of decisions made by the Board of Directors, composition and structure of the Board, election and continuing education of Board members and internal controls.</p> <p>(2) Performance review of individual Board members: include grasping of the Company's goals and duties, recognition of directors' duties, the level of involvement in the Company's operations, management and communication with internal stakeholders, professionalism and continuing education of directors and internal controls.</p> <p>(3) Performance review of functional committees: level of involvement in the Company's operations, recognition of the duties of the committee, quality of decisions made by the committee, composition and election of committee members and internal controls.</p>

4. Evaluation of targets for strengthening of the functions of the Board of Directors during the current and immediately preceding fiscal years and measures taken to achieve the targets.
 - (1) Besides proving the directors and supervisors with the relevant laws and regulations, the Company requires the Board to present the current business status of the Company at board meetings and prepare the relevant information for the proposals for inquiry by nominated personnel.
 - (2) Provide information on an array of training courses to strengthen the competency of board members. A total of 8 directors and supervisors undertake a total of 42 hours of training during 2019.
 - (3) In an effort to carry out corporate governance and improve the operational efficiency of the Board of Directors, the Company has put in place the “Rules for Performance Review of Board of Directors” to take effect from 28 December, 2018. The annual performance review for the previous fiscal year takes place at the start of the current fiscal year. Results of the review are presented to the nearest upcoming Board of Directors’ meeting.
 - (4) The operation of the Board of Directors was in accordance with the “Rules for Board of Directors’ Meeting”.
 - (5) In an effort to strengthen the functions of the Board of Directors, the Company will institute the Audit Committee in replacement of the functions of supervisors upon re-election of the directors at the general shareholders’ meeting to be convened on 22 June, 2020.
 - (6) To ensure information transparency, the Company will publicly disclose important resolutions of the Board of Directors’ meeting on the Company’s website (<http://www.topco-global.com>) subsequent to the board meetings in the best interest of shareholders.

(II) Supervisors attend the Board :

The Company had convened Five Board of Directors meetings in 2019 with the following attendance :

Title	Name	Number of actual attendance	Actual attendance rate (%)	Note
Supervisor	Fu-Hsiung, Wang	5	100	
Supervisor	Pei-fen, Chang	5	100	
Supervisor	Guang-Jer, Lai	4	80	

Other required information :

1.Composition and responsibilities of Supervisors :

(A) Communication between Supervisors and the Company's employees and shareholders :

Supervisors may communicate with shareholders by attending shareholders' meetings and communicate with the Company's employees via different reports and channels (such as telephone, Company's website, and emails).

(B) Supervisors' communication with internal auditor manager and CPAs :

- (1)The Company's internal audit reports are presented to Supervisors for review in order for them to understand the Company's operations and execution of internal audit processes. Supervisors communicate and give recommendations to the internal audit manager from time to time.
- (2)The internal audit manager regularly presents to the Board of Directors details of the audit and none of the Supervisors held a dissenting opinion.
- (3)Supervisors periodically review the financial statements and communicate with the CPAs in person to understand the implementation status of the Company's internal controls and results of audits.

Summary of important communications during 2019 :

Date	Topics
Mar. 27, 2020	1.Communication of the scope of audit and key matters as well as major changes to laws and regulations. 2.Discussion of the ability regarding the preparation of financial statements by the Company. 3.Communication of questions raised by meeting attendees between the audit manager and CPAs.

2.Supervisors' opinions while attending board meetings : None.

(III) Continuing education

Compliance Continuing education in 2019:

Position Name	Date	Organizer	Course Name	Hours
Chairman Robert Lai	Aug.22, 2019	Securities & Futures Institute	Business Performance from the Perspective of People and Job Function Inventory	3
	Aug.30, 2019	Dharma Durm Mountain Humanities and Social Improvement Foundation	Innovation and Sustainable Competitiveness- A Talk on Taiwan's Future	3
	Sep.17, 2019	Securities & Futures Institute	Study on Corporate Merger Fraud – from the Perspective of Corporate Governance	3
Director Jeffery Pan	Jul.3, 2019	Corporate Operation Association	New Version of Taiwan's Corporate Governance Blueprint and Introduction to Corporate Merger Related Governance Measures	3
	Jul.11, 2019	Corporate Operation Association	A Talk on the Opportunity and Strategy for Taiwan's Corporate Mergers under the US-China Trade War	3
Director Charles Lee	Jul.11, 2019	Corporate Operation Association	A Talk on the Opportunity and Strategy for Taiwan's Corporate Mergers under the US-China Trade War	3
Director Simon Tseng	Jul.17, 2019	Securities & Futures Institute	2019 Seminar for Regulatory Compliance Governing Insider Equity Trading of Listed and Non-Listed Companies	3
Independent Director Chen, Linsen	Jul.11, 2019	Taiwan Institute of Directors	Board of Directors' Practical Guidelines for Tax Havens, CRS, and Challenges of and Responses to Laws Governing Repatriation of Offshore Funds	3
	Jul.24, 2019	Securities & Futures Institute	2019 Seminar for Regulatory Compliance Governing Insider Equity Trading of Listed and Non-Listed Companies	3
Independent Director Sun, Pi-Chuan	Apr.16, 2019	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3
	Nov.6, 2019	TWSE	Seminar for Effective Exercising of Directors' Job Functions	3
Supervisor Pei-fen, Chang	Apr.16, 2019	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Management Workshop	3
	Sep.19, 2019	Corporate Operation Association	Must-know Corporate Governance Regulations and Risk Responsibility of Directors, Supervisors, and Insiders	3
Supervisor Guang-Jer, Lai	Aug.7, 2019	Securities & Futures Institute	2019 Seminar for Regulatory Compliance Governing Insider Equity Trading of Listed and Non-Listed Companies	3
chief internal auditor Angel Liu	Jun.18, 2019	Accounting Research and Development Foundation	Internal Audit and Internal Control Practices under the Digital Economy Generation	6
	Jul.4, 2019	Accounting Research and Development Foundation	Case Study on "Audit Transition" and "Data Analytics" of Emerging Tech	6

Chief Accounting Officer Nicole Lee	Mar.21, 2019	Accounting Research and Development Foundation	Practical Responses to the Latest Amendments to Employee Remuneration Policy in the “Company Act”	3
	May.17, 2019	Accounting Research and Development Foundation	International Financial Reporting Standards No. 15 “Revenue from Contracts with Customers”: Exposure Draft and Analysis	3
	Jul.25, 2019	Accounting Research and Development Foundation	Legal Liability of and Case Study on Securities Market “Insider Trading” from the Perspective of Judicial Adjudication	3
	Oct.15, 2019	Accounting Research and Development Foundation	Analysis of the International Financial Reporting Standards No. 16 “Lease”	3
chief corporate governance officer Della Huang	Aug.6, 2019	Accounting Research and Development Foundation	Compliance with Audit Regulations Governing Institution of “Independent Directors” and “Audit Committee” Required by the Governing Authority	6
	Sep.17, 2019	Accounting Research and Development Foundation	“Information Security” and “Personal Information Confidentiality”: Compliance by Audit Personnel and a Practical Guide and Analysis for Fraud Prevention	6
	Dec.16, 2019	Accounting Research and Development Foundation	Practical Analysis on the New Version “Corporate Governance Blueprint (2018-2020)”	6

(IV)Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”.

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1.Does the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles “and disclosed them on the Company's website.	No deviation
2.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 internal procedure? (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 of major shareholders? (3)Has the Company established and enforced risk control and firewall systems with its	✓ ✓ ✓		(1) The Company has appointed dedicated personnel (spokesperson, acting spokesperson, shareholder service unit and media contact person) as well as a legal department to offer appropriate legal consultation services and handle shareholder recommendations, queries, disputes, and litigated events. (2) The Company maintains a current list of its directors, supervisors, managerial officers, and major shareholders and has instituted the Stock Affairs Office to handle shareholder affairs. The Company maintains sound interactions and relationship with its major shareholders and monitors matters that may give arise to changes in share ownership. (3) The Company has in place appropriate risk control mechanisms and firewall through instituting the internal control systems in accordance with “Regulations Governing Transactions Between Specific Companies, Related Parties and Group Enterprises”, “Regulations Governing Supervision of Subsidiary Companies”, “Procedures for Loan to Others and Endorsements and Guarantees” and “Procedures for Acquisition or Disposal of Assets”. (4) The Company has established “Procedures for Prevention of Insider	No deviation

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
<p>affiliated companies?</p> <p>(4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?</p>	✓		Trading” , “Code of Ethical Conduct”, and “Ethical Corporate Management Best Practice Principles” to prohibit employees from engaging in insider-trading using information that is not publicly available or disclosing the said information to others to engage in insider trading. The handling and disclosure of significant information shall be in accordance with the relevant laws and regulations.	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has a policy for diversity been established and implemented for the composition of the Board of Directors?</p> <p>(2) In addition to the Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?</p> <p>(3) Has the Company established a performance evaluation method for the Board of Directors and conducted performance evaluation accordingly on an annual basis?</p>	✓		<p>(1) The Company’s “ Corporate Governance Best Practice Principles” consider the diversity of board members on the basis of the requirements of the Company’s business operations and stringent nomination procedures. The Company’s board comprises of seven directors including two independent directors; 71% of the directors are employees of the Company, 29% of the independent directors and 14% of the female directors.</p> <p>The board members have professional knowledge and skills in the respective areas including finance, sales, legal and business management and carry out their duties in accordance with regulatory requirements and the Company’s Articles of Incorporation; Information on the professional qualifications of board members is disclosed on the Company’s website.</p> <p>The policy for board member diversity implemented in practice is illustrated as follows:</p>	No deviation

Assessment Item	Implementation Status			Summary	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																																																																																											
	Yes	No																																																																																														
(4) Does the Company regularly assess on the independence of CPAs?	✓			<table border="1"> <thead> <tr> <th colspan="3">Diversification item</th> <th rowspan="2">Ability to make sound business judgments</th> <th rowspan="2">Accounting and financial analysis capability</th> <th rowspan="2">Ability to manage a business</th> <th rowspan="2">Ability to respond to a crisis</th> <th rowspan="2">Industry knowledge</th> <th rowspan="2">An understanding of international markets</th> <th rowspan="2">Leadership capability</th> <th rowspan="2">Decision-making capability</th> </tr> <tr> <th>Title</th> <th>Name</th> <th>Gender</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Jia Pin Investment Development Company Limited representative: Robert Lai</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Director</td> <td>J. W. Kuo</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Director</td> <td>Jeffery Pan</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Director</td> <td>Simon Tseng</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Director</td> <td>Charles Lee</td> <td>Male</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent director</td> <td>Chen, Linsen</td> <td>Male</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent director</td> <td>Sun, Pi-Chuan</td> <td>Female</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table> <p>(2) The Company has instituted the “Remuneration Committee” and the “Corporate Governance Committee” and plans to institute the “Audit Committee” upon re-election of the board members at the general shareholders’ meeting to be convened on 22 June, 2020. The Company may institute other functional committees in future according to operational requirements.</p> <p>(3) The Company has put in place the “Rules for Performance Review of</p>	Diversification item			Ability to make sound business judgments	Accounting and financial analysis capability	Ability to manage a business	Ability to respond to a crisis	Industry knowledge	An understanding of international markets	Leadership capability	Decision-making capability	Title	Name	Gender	Chairman	Jia Pin Investment Development Company Limited representative: Robert Lai	Male	✓	✓	✓	✓	✓	✓	✓	✓	Director	J. W. Kuo	Male	✓	✓	✓	✓	✓	✓	✓	✓	Director	Jeffery Pan	Male	✓		✓	✓	✓	✓	✓	✓	Director	Simon Tseng	Male	✓		✓	✓	✓	✓	✓	✓	Director	Charles Lee	Male	✓		✓	✓	✓	✓	✓	✓	Independent director	Chen, Linsen	Male	✓	✓	✓	✓		✓	✓	✓	Independent director	Sun, Pi-Chuan	Female	✓	✓	✓	✓		✓	✓	✓	
Diversification item			Ability to make sound business judgments	Accounting and financial analysis capability	Ability to manage a business	Ability to respond to a crisis	Industry knowledge									An understanding of international markets	Leadership capability	Decision-making capability																																																																														
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Director	Jeffery Pan	Male	✓		✓	✓	✓	✓	✓	✓																																																																																						
Director	Simon Tseng	Male	✓		✓	✓	✓	✓	✓	✓																																																																																						
Director	Charles Lee	Male	✓		✓	✓	✓	✓	✓	✓																																																																																						
Independent director	Chen, Linsen	Male	✓	✓	✓	✓		✓	✓	✓																																																																																						
Independent director	Sun, Pi-Chuan	Female	✓	✓	✓	✓		✓	✓	✓																																																																																						

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Board of Directors” to take effect from 28 December, 2018 to review the efficiency and functioning of the board. Results of the evaluation for the 2019 fiscal year were presented at the board of directors’ meeting on 27 March, 2020 and published on the Company’s website.</p> <p>(4) The Company appoints KPMG, a reputable CPA firm in Taiwan as our independent accountants. The Company evaluates the independence and competency of the CPAs at least once a year on the basis of the scale of operation and reputation of the CPA firm, years of consecutive audit service, the nature and scope of non-audit services, audit engagement fees, the quality of audit services and interactions of CPAs with the Company’s management and internal audit managers. The Company requests the CPAs and their firm to provide the relevant information and Statement of Independence for evaluation by the Accounting Department. Results of evaluation for the past two fiscal years were presented to the board on 19 March, 2019 and 27 March, 2020, respectively.</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
4.Has the TWSE/TPEx-listed company appointed an appropriate number of qualified corporate governance personnel as well as a corporate governance supervisor to be in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor to perform their job functions, providing assistance to directors/supervisors for regulatory compliance matters, convening board/shareholder meetings in compliance with the law, and producing meeting minutes of board/shareholder meetings)?	✓		<p>In an effort to implement corporate governance, the Company has instituted a corporate governance taskforce under the Stock Affairs Office and appoints designated personnel to handle corporate governance affairs. The board resolved on 8 November, 2019 to appoint senior vice-president Della Huang to be solely responsible for overseeing the Company’s corporate governance operations. Ms Huang has over ten years of experience in handling stock affairs or administrative matters of meetings of public companies. Her primary duties include handling matters associated with convening board meeting and shareholders’ meetings in accordance with law, prepare minutes of board and shareholders’ meetings, assist directors and supervisors in taking office and continuing training, provide directors and supervisors with information they require to perform their duties, and collect information on the latest regulatory updates relevant to the Company’s business operations to ensure regulatory compliance.</p> <p>Status of implementation for the 2019 fiscal year has been published on the Company’s website, summary of which is provided below: (1) Assist directors in performing their duties and provide the required information and arrange training for directors. (2) Assist with the functioning of the respective functional committees, board of directors and meeting procedures of shareholders’ meeting as well as regulatory compliance matters. (3) Maintain investor relations.</p>	No deviation

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers) dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		The Company holds belief in diligent, honest, and professional management and maintains sound interactions with its stakeholders. Our services are deeply trusted by our suppliers and customers. The Company has instituted a dedicated stakeholder section on the Company’s website to offer product information and appropriate channel for communication. The Company prepares the annual corporate social responsibility report, conducts customer satisfaction surveys, and has instituted a platform on the internal employee portal to promote communications between employees and the Company’s management team.	No deviation
6. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings and the relevant affairs?	✓		The Company has appointed the stock affairs agency service department of the Grand Fortune Securities to handle all stock affairs and matters pertaining to shareholders’ meetings.	No deviation
7. Information disclosure (1) Has the Company established a website to disclose information on financial results, business operations and corporate governance? (2) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a	✓ ✓		(1) The Company publishes the various financial and business information periodically and from time to time on the website of the Market Observation Post System. The Company has established a website in Traditional Chinese, Simplified Chinese and English and a dedicated “Stakeholders Section” to disclose information on corporate governance. Website: http://www.topco-global.com . (2) The Company has appointed dedicated personnel to be responsible for collecting and disclosing the information outlined in the left column, convenes periodic investor conferences, has established a spokesperson system and offers appropriate company information and channel for communications for investors on the Company’s website.	No deviation

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>professional to collect and disclose company information, implement a spokesperson system, and webcasting investor conferences on the Company’s website)?</p> <p>(3)Has the Company published and filed its annual financial statements within two months of the end of the fiscal year, and published it’s the first, second and third quarterly financial statements as well as the monthly results of operation ahead of the due dates?</p>	✓		(3)The Company has published and filed its annual financial statements within three months of the end of the fiscal year in accordance with regulatory requirements and published and filed its first, second and third quarterly financial statements and monthly results of operation prior to the due dates.	
<p>8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and</p>	✓		<p>(1) Employees’ rights and employee care: please refer to “Labor Relations” in page 87 of the annual report for further details.</p> <p>(2) Investor relations, supplier relations and stakeholder’ rights: The Company places high importance in communications with suppliers and clients. Besides regularly visiting suppliers and clients, the Company hosts workshops and sports events from time to time to promote interactions with suppliers and clients. The Company also has a product manager system in place and a dedicated system and line for handling customer feedbacks to ensure that customers’ issues are resolved with dedicated assistance. On the other hand, the Company has also appointed a spokesperson, acting spokesperson and media release contact person to</p>	No deviation

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
measurement standards, implementation of customer policies and purchase of indemnity insurance for the directors and supervisors of the Company)?			<p>be solely responsible for handling investors’ queries and communications. The Company convenes the investor conference each year and discloses the relevant information on the Company’s website.</p> <p>(3) Further training of directors, supervisors, and managerial officers: please refer to “Corporate Governance Training” in page 26 for further details.</p> <p>(4) Implementation of the risk management policy and risk assessment standards:</p> <p>A.Risk management policy:</p> <p>(a) Continue to propel and implement risk-orientated management approach to foster operational strategies and a company culture that are centered on risk management with the goal of meeting the business targets to add values for shareholders.</p> <p>(b) Established a risk management mechanism that encompasses the identification, analysis, handling and monitoring of the Company’s operational risks to build a well-rounded risk management network.</p> <p>(c) Actively pursue the development and deliberation of more advanced and highly sensitive surveillance, assessment and risk control procedures and standards to enhance the efficiency in the controlling the Company’s operational risks.</p> <p>B.Organizational structure of risk management: The organizational structure of the Company’s risk management framework is divided into the following responsible units according to the nature of the businesses:</p> <p>(a) Board of Directors: responsible of establishing the Company’s risk management policy, deliberating, and formulating the risk management policy and guiding principles to be used as the standards for the Company and its subsidiary companies to</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>follow in exercising risk management.</p> <p>(b) Management meetings: are convened monthly and attended by the Chairman, managing director/CEO and senior managerial officers of each business unit to regularly review and affirm the Company’s business targets, strategy and direction to reduce operational risks; and report on the results of operation, financial status and key performance indicators to examine risks associated with the Company’s finances and funding and implement the appropriate adjustments where applicable.</p> <p>(c) Operations meetings: are convened once every fortnight and attended by the managing director/CEO and senior managerial officers of each business unit to regularly examine the business plan, collection of debts and inventory control of the respective business units; to manage and supervise the operating performance; and to analyze and evaluate changes in regulatory requirements and policies and market conditions in order to adopt the appropriate responsive measures with the goal of mitigating operational risks.</p> <p>(d) Information security Committee: The Company divides its information security management into eleven respective areas in accordance with ISO27001: International Standards for Information Security Management: information security policy, information security structure, asset management, human resources security, physical and environmental security, communication and operational management, access control, development and maintenance of information system, management of information security incidents, business contingency management and recurring.</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>The committee comprises of the most senior managerial officer respectively responsible of the sales, information, administration, legal and audit units, responsible for the management and decision-making of important information security events and incidents to protect the Company’s information from being exposed to external threats, or to prevent internal personnel’s mis-management or misuse of the said information, that could result in the alteration, disclosure, damage or loss of the information; the status of implementation shall be reported to the Board of Directors periodically and be disclosed on the Company’s website.</p> <p>(e) C.F.O Office: responsible for dictating personnel to conduct analysis and assessment of and handle and control client-related operational risks and make recommendations for improvements; undertake simulation and surveillance of internal and external, human and non-human risks; facilitate inter-department communications and co-ordination to reduce operational and management risks.</p> <p>(f) Financial Division: responsible for planning and formulating the Company’s short, medium, and long-term financial strategies to provide senior managerial officers financial consultation and assessment of risks associated with the investment plans.</p> <p>(g) Auditing Office: Draw up the annual audit plan based on the results of the risk assessment. Conduct audits on the operations of each business unit periodically and from time to time; propel and improve the Company’s internal control system to ensure that the internal controls continue to be effectively implemented.</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>(5) Certification obtained by personnel responsible for managing the transparency of financial information: R.O.C. CPA: two people qualified including the Chief Financial Officer Joyce Lu and Chief Accountant Nicole Lee. CFA of United States: one person qualified, senior manager Chihkai Chang from the Investment Management Division. International qualified CIA: two people qualified including the senior manager Angel Liu from the Auditing Office and senior manager. Internationally qualified CISA: 1 person qualified, senior manager Angel Liu from the Auditing office.</p> <p>(6) Procedures for handling significant internal information: 1.The Company has established the “Procedures for Prevention of Insider Trading” , which are uploaded and published on the internal employee portal. The established mechanism for handling and disclosing significant internal information ensures the consistency and accuracy of information made publicly available. 2.The handling and disclosure of significant internal information or uploading to the Market Observation Post system is subject to approval and documentation. The handling personnel is prohibited from disclosing the Company’s significant internal information without prior consent.</p> <p>(7) Implementation of client policy: The Company undertakes customer satisfaction surveys each year to collect customer feedbacks to be used as the reference for future development of products and services.</p> <p>(8) Professional indemnity insurance for directors and supervisors: The Company renewed the indemnity insurance for directors and supervisors underwritten by Fubon Insurance Co., Ltd. in October 2019.</p>	

Assessment Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			Total insured value was NT\$ 152,500,000.	
9.Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.	✓		<p>(1) Improvements made:</p> <ol style="list-style-type: none"> 1. Enhance the disclosure of information in the Company’s annual reports. 2. Synchronize the declaration of significant information in the English language. 3. Establish the Corporate Governance Committee. 4. Upload the English version of the consolidated financial reports seven days prior to the date of the general shareholders’ meeting. 5. The Articles of Incorporation provides that all directors and supervisors are elected under a candidate nomination system. 6. Disclose the corporate social responsibility plan and results of implementation on a regular basis on the Company’s website and the annual report. <p>(2) Priority improvements and measures:</p> <ol style="list-style-type: none"> 1. Training hours of directors. 2. Preparation of the annual report and meetings handbook in the English language. 3. Uploading of the English version of the consolidated and standalone financial reports seven days prior to the date of the general shareholders’ meeting. 4. Organizing corporate governance training. 5. Establishing the Audit Commit to strengthen the functions of the Board of Directors. 6. Enhancing the framework for information security management and preventive measures. 	No deviation

(V) Composition, duties, and operations of the Company's Remuneration Committee :

1. Information on the members of the Remuneration Committee

Title	Name	Condition	Has more than 5 years of work experience and the following professional qualifications			Meet conditions of independence (note)										Number of other public companies where the member concurrently serves as member in Remuneration Committee	Note
			An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A judge, prosecutor, lawyer, CPA or other specialist or technical professional who is necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chen, Linsen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Sun, Pi-Chuan	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Huang, Li Hua			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note : If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

2. Operations of the Remuneration Committee

(1) There are three members in Remuneration Committee of the Company.

(2) Current term of office : July 31, 2017~Jun 13, 2020

The Company had convened Five Remuneration Committee meetings in 2019 with the following attendance :

Title	Name	Number of actual attendance	Number of proxy attendance	Actual attendance rate (%)	Note
Independent director	Chen, Linsen	5	0	100	
Independent director	Sun,Pi-Chuan	5	0	100	
Committee member	Huang, Li Hua	4	1	80	

Other required information :

- 1.If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee : None.
- 2.For resolutions reached by the Remuneration Committee regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members : None.
- 3.Proposals and resolutions of the Remuneration Committee meetings and the Company's handling of the members' opinions in the most recent year.

Date	Agenda items and resolutions
Sep.11,2019	<p>Agenda item: The 2018 Remuneration to Employees, Directors and Supervisors.</p> <p>Members' opinions: No dissenting or unqualified opinions.</p> <p>Resolution :</p> <p>(1)Two independent directors avoidance each other when discussing the remuneration of independent directors, and the other members Passed as proposed.</p> <p>(2)Remuneration of directors and supervisors excluding independent directors passed as proposed after the chairperson consulted all attending members.</p> <p>Board Resolution : Approved by all attending directors.</p>

(VI)Corporate Social Responsibilities, the implementation Status and Deviations from “the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” :

Assessment Item	Implementation Status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Yes	No	Summary	
1.Has the Company undertaken assessment, on the basis of materiality, of the environmental and social risks and corporate governance issues associated with the Company’s operation and established the relevant risk management policies or strategies?	✓		The Company has established the “Corporate Social Responsibility Best Practice Principles” and periodically reports to the Board of Directors for review. The Company places high importance in keeping communications with stakeholders, and divides the management procedures into several major areas including identification, prioritization, verification and examination in accordance with the Global Reporting Initiatives (GRI) sustainability reporting standards to discuss significant issues with senior managerial officers to form the basis for formulating guidelines and responsive measures, and to strengthen communications with stakeholders.	No deviation
2.Has the Company set up a dedicated (part-time) unit for promoting corporate social responsibilities? Is the unit empowered by the Board of Directors to implement CSR activities at the senior management level? Does the unit report the progress of such activities to the Board of Directors?	✓		The managing director/CEO is the chairperson for the Company’s corporate social responsibility taskforce, which collates stakeholders’ feedbacks and results of implementation of the plan to review the effectiveness of the plan and propose areas for improvement. The taskforce expands downwards into each responsible unit or department, and is segregated into the financial risk team, product sales team, talents development team, marketing, and public relations team to incorporate corporate substantiality developments into daily operations. The Planning Department collates and documents the findings in written report for presentation to the Board of Directors and publication on the Company’s website.	No deviation
3.Environmental issues (1)Has the Company established a suitable environmental management system based on	✓		(1) The Company has improved the existing operational procedures by publishing electronic copies of the documents and reports to reduce paper usage in line with our green policy. The Company has also in place a rostering system	No deviation

<p>the nature of its industry?</p> <p>(2) Is the Company committed to improving the efficient use of resources and utilizing renewable resources to reduce environmental impact?</p> <p>(3) Has the Company assessed the threats and opportunities presented by climate change to its current and future business operations, and has the Company adopted the corresponding measures in response to climate related issues?</p> <p>(4) Has the Company compiled a report to quantify its greenhouse gas emission, water usage and wastes for the past two years and established policies to conserve energy and reduce carbon footprint, greenhouse gas emission and water usage as well as manage wastes?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>across all office premise to ensure that staff are onsite on the weekend or during the week to maintain the order of the workplace environment.</p> <p>(2) The Company takes the initiatives to reduce office wastes and encourages recycling and improves the energy efficiency level of its office premise by opting for energy-efficient lights and water-efficient dispensers and procure higher percentage of energy-efficient products.</p> <p>(3) The Company has installed an energy-efficient and central control system at its corporate headquarter building and developed an energy-efficiency surveillance system to reduce consumption of power and CO2 emission. The Company also invested in the development of solar energy generation stations to generate clean energy and exploring new business ventures in green energy.</p> <p>(4) In recognition of the global climate change, calls for better use of resources and fulfillment of our corporate social responsibilities, the Company has established a system to measure and maintain a logbook of greenhouse gas emission, ensuring the information is documented internally and verification procedures are in place on the basis of controls on greenhouse gas emission sanctioned by the International Organization of Standardization, to be used as the reference for implementing improvement measures to reduce emission in future. Since 2018, the Company has been gradually propelling the construction and verification of its greenhouse gas management system to effectively manage the risks posed by greenhouse gas emission, while at the same time promoting its corporate image as an advocate for environmental protection.</p> <p>The main sources of the Company’s greenhouse emission are power and fuel consumption. In response to the United Nation’s goals for sustainable development and to develop the Company’s corporate social responsibilities, we take the steps of “Environmental Protection, Energy Conservation and Love the Earth” in our daily operations. Our goal is to reduce the consumption of power and fuel to meet the target of reducing our greenhouse gas emission by 1% over the next three years.</p>	
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<p>4.Social issues</p> <p>(1)Has the Company established management policy and procedures in accordance with the relevant laws and regulations and the International Bill of Human Rights?</p> <p>(2)Has the Company established and implemented reasonable employee benefits measures (including remuneration, leave and other benefits) and that its employee remuneration appropriately reflects the results of its operation or performance?</p> <p>(3)Has the Company provided employees with safe and healthy work environment and conducted regular classes on health and safety?</p> <p>(4)Has the Company established an effective career development and training program for employees?</p> <p>(5)With respect to the Company's products and services, has the Company complied with the relevant laws and regulations and international standards in handling customer health and</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company has established management policy and procedures in accordance with the Labor Standards Act, the Act of Gender Equality in Employment and other relevant regulations and complied with the said policy and procedures accordingly. The Company has also administered the labor insurance and the national health insurance for employees as well as the employee pension fund and makes contributions accordingly. The relevant personnel guidelines are published on the Company's internal portal for employees to refer to and comply with.</p> <p>(2) The Company has established the Remuneration Committee and the remuneration policy, performance and reward guidelines and employee safety and corporate standards that meet the criteria for corporate social responsibilities to offer employees a reasonable performance appraisal system under which employees are given appropriate recognition or disciplinary actions by way of receiving a promotion or bonus on the basis of their performance. The Company also has in place employee reward/disciplinary and benefits policy, which is published on the employee portal for reference and compliance to ensure that employees have a clear policy to follow.</p> <p>(3) The Company convenes regular "Investor Relation Meetings" to promote employer and employee negotiation and co-operation, and also organizes regular staff bonding camp and employee seminars to foster staff consensus building and internal communications. The Company has established a public mailbox to provide employees with an avenue to make personal recommendations and complaints, which are handled by the head of the human resources department. The Company runs the annual firefighting rehearsals and training on an annual basis, provides employees with health consultation services and breast feeding rooms, and arranges periodic health check-ups and health seminars from time to time encouraging employees to take health seriously and promoting the importance of workplace safety.</p> <p>(4) The Company has a comprehensive employee training plan in place and administers employee training passports, offering employees the various training resources and subsidies for professional training and studies towards a degree. The Company incorporates each employee's training hours as one of the indicators for performance review. In 2013, the Company was awarded the</p>	<p>No deviation</p>
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<p>safety, customer confidentiality, marketing and labeling and established the relevant consumer protection policy and complaint procedures?</p> <p>(6) Has the Company established the supplier management policy, requiring suppliers to comply with the relevant laws and regulations governing environmental protection, occupational health and safety or labor rights and detailed its implementation status?</p>	<p>✓</p>	<p>silver medal of the Taiwan TrainQuali System. Commencing from 2014, the Company introduced the “Corporate Learning Hub” under the “SME Learning” program administered by the Ministry of Economic Affairs to offer employee more diverse learning resources.</p> <p>(5) The Company’s products and services are delivered in compliance with the industry standards and customer requirements and have been certified to meet the ISO9001 standards. The Company has published the Customer Complaint Procedures Handbook and After-sale Service Manual to provide standard customer service procedures and publish details of the contact person for the respective products on the Company’s website.</p> <p>(6) The Company regularly conducts supplier review (including products and services) and select suppliers with a good track record to do business with. The Company invites suppliers to host seminars in line with the Company’s quality policy and management philosophy. Besides requesting suppliers to increase their awareness for environmental protection and reduce pollution, the Company also gives preference to new suppliers/products with the awareness for environmental protection in mind so that the Company can partner with suppliers to jointly commit to fulfilling our corporate social responsibilities.</p>	
<p>5. Has the Company prepared the Corporate Social Responsibility Report to disclose its non-financial information with reference to the international standards or guidelines for reporting preparation? Has the Company obtained the assurance or guarantee of a third-party verification agency?</p>	<p>✓</p>	<p>The Company prepares the annual corporate social responsibility report of which the contents were included with reference to AA1000AP:2018, AccountAbility Principles and disclosures made with reference to the core disclosures published by the GRI. The contents reflect the execution of economic, social, and environmental issues and a comparison table is attached at the end of the report referencing the contents of the report to the GRI standards. For the purpose of improving information transparency and reliability, the Company appointed a third-party verification agency, the AFNOR Group to verify the report under Type 1 assurance of A1000:AS (2008) and core disclosures outlined in the GRI standards. The assurance report is attached in the Appendix section of this report. The financial information disclosed in this report are sourced from the audited financial statements.</p>	<p>No deviation</p>

6. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any deviations between the principles and their implementation:

Being a corporate citizen, the Company is dedicated to corporate governance, corporate undertaking, environmental protection, and carrying out community engagement with the goal of giving back to the society and ensuring the sustainable operation of the business. The Company's business operations are in line the Corporate Social Responsibility Best Practice Principles.

7. Other important information to facilitate better understanding of the Company's corporate social responsibility practices:

- (1) Environmental protection: The Company takes the initiatives to reduce office wastes and encourages recycling and improves the energy efficiency level of its office premise by opting for energy-efficient lights and water-efficient dispensers and procure higher percentage of energy-efficient products.
- (2) Social contribution: introduce and distribute world pioneering, environmentally friendly and safe technology, and products to improve the quality of living.
- (3) Social charitable work:
 1. Since 2008, Topco has sponsored the " TSC Thesis Award" every year, the organizer of the "TSC Marketing Symposium" since 2016 to encourage innovation and research and partners with the various universities for industry and university collaboration to foster talents.
 2. Active engagement in social charitable events and donated a total of \$6.4 million in sponsorship funds.
 3. Topco set up a community service club "Topco Volunteer Club" and summoned employees to partake in the charitable mooncake making and thanksgiving luncheon events.
- (4) Consumer rights: published the Customer Complaint Procedure Handbook and After-sale Service Manual to provide standard customer service procedures and publish details of the contact person for the respective products on the Company's website.
- (5) Human rights: The Company complies with the Labor Standards Act and the relevant laws and regulations to protect fundamental human rights and rights of employees. The measures are summarized below:
 1. Administer labor insurance, national health insurance and pension fund contributions for employees in accordance with the Labor Standard Act. Institute the employee pension fund and publish the relevant personnel rules and guidelines on the employee portal for inquiry and compliance.
 2. The Company respects the fundamental human rights such as property and privacy rights of employees.
 3. Demonstrating its emphasis on respecting human rights and putting it into practice, the Company takes into account a candidate's suitability for a job application on the basis of the candidate's qualification, experience and competency and provides equal employment opportunities irrespective of candidates' nationality, political party membership, race, religious belief, gender, age or disabilities. The Company currently employs individuals with intellectual or physical disabilities as well as mature age workers returning to the workforce. The Company strictly complies with the government's labor standard regulations and international laws governing abolishment of child labor and forced labor and does not employ anyone who is under the age of sixteen years old or enforce or threaten any of its employees into forced labor.
 4. Education and training of human right protection including:

- (a) Educate employees on the relevant regulatory compliance measures including: elimination of forced labor, abolishment of child labor, anti-discrimination, anti-harassment, humanitarian treatment, providing a healthy and safe workplace environment and establishing a mailbox for reporting sexual harassment incidents to prevent such incidents occurring in the workplace and foster a friendly work environment.
 - (b) Provide online courses for anti-sexual harassment with contents such as : understanding the concept of sexual harassment, how to prevent sexual harassment and handling of sexual harassment incidents.
- (6) Safety and hygiene: The Company is committed to mitigating the harmful factors that place its employees' safety and health at risk, offering a safe and health work environment with the management goal of a "zero incident" rate. The Company implements stringent hardware facility standards as well as safe and hygienic operational procedures with a strong focus on the quality of services and occupational health and safety. The Company has appointed fully qualified employee health and safety officer and manager to carry out the various safety and health training and measures in accordance with labor safety and health regulations.
- Measures include:
1. The Company's office premise is installed with surveillance and access control systems to tightly control people entering and exiting the premise. Security guards are on-site round the clock to ensure the safety of employees.
 2. The office premise is maintained on a daily basis by dedicated personnel and subject to regular sanitization. Regular repair and maintenance on the interior office space is carried out with timely updates of equipment. The office premise is a non-smoking zone in line with the government's policy to promote non-smoking workplaces to provide employees with a smoke-free workplace environment.
 3. The building lifts are maintained regularly with emergency maps and exits clearly displayed. A complete set of emergency equipment such as the AED is regularly inspected, updated, and tested to ensure it is in good working order.
 4. Regular fire-fighting maintenance is carried out in the building and periodic fire-fighting seminars and general safety and health training are conducted to foster employees' awareness for emergency response and the ability to manage their own safety.
 5. Control of the quality of drinking water gives employees the assurance for safe drinking water. There is a comprehensive plan for testing the quality of drinking water from the dispensers, which are maintained periodically in accordance with the regulations for managing drinking water. Results of sample water testing are documented and displayed near the water dispensers clearly visible to all.
 6. Regularly arranges doctors to offer employees individual health consultation services; organizes health care workshops from time to time to foster employees' awareness for health. The Company has instituted breastfeeding rooms.
 7. The Company contracted major hospitals to offer employees health check-ups to safeguard the health of employees. Employees are also encouraged to participate in fitness activities such as the weekly badminton, aerobic dance, and muscle training sessions. To coincide with the 30th anniversary of the Company and in response to big health business concepts, the Company hosted a marathon event and gifted all employees with a sport wristband equipped with the Easycard functions. The wristband's recording functions, and the Company's promotion of exercise ensures that we take care of our employees' health.
 8. The corporate headquarter has the Anyong Freshmart to offer employees healthy food and drink options. Anyong Freshmart partners with high-quality, fully certified suppliers and through rigorous food safety control, it offers employees high-quality and healthy breakfast and

lunch services.

(7) In response to the government's policy to revitalize baseball and to promote the local sporting environment, the Company established the Topco Scientific Co. Division A Social Baseball Team in 2011, and won the grand final of the 2014 "Popcorn Summer Baseball Competition" and the grand final of the 2016 and 2019 "National Adult Baseball Division A Spring Competition". The Company also organized several baseball exchange competitions between Taiwan and Japan to facilitate international interactions and continues to undertake exchanges with Japanese and US baseball unions in an effort to contribute to the sport of baseball in Taiwan.

(VII) Compliance with ethical corporate management and measures implemented :

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
<p>1. Stipulating policies and plans for ethical corporate management:</p> <p>(1) Has the Company formulated the ethical management policy adopted by the Board of Directors and clearly shown its ethical management policy and methods in its regulations and external documents, and in addition, has the Board of Directors and senior management proactively demonstrated its commitments to ethical management in practice?</p> <p>(2) Has the Company established a mechanism to assess the risks of unethical conduct and regularly conducted analysis and evaluation of business activities within the scope of its business with higher risks of involving unethical conduct to be used as the basis for formulating the policy for preventing unethical conduct, which at least shall include preventive measures for the respective types of conduct set out in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct" and disclosed the aforesaid principles and policy on the Company's website. The Group's management philosophy is explained in the Company's "Management Policy" and on the website to openly demonstrate its ethical management policy. The Company's corporate governance managerial staff shall report the status of implementation to the Board of Directors and the management team while the Audit Office conducts audits periodically and from time to time and reports the results of the audits. The Company has also prepared the 2018 Corporate Social Responsibility Report to communicate its efforts and contributions on fulfilling corporate social responsibilities to its stakeholders.</p> <p>(2) The Company's management complies with the provisions of the "Ethical Corporate Management Best Practice Principles". The Company has put in place standard operational procedures to govern business transactions and operational and management policy to govern internal management. These policies and procedures have been uploaded to the employee portal to serve as the code of conduct and education/training of employees. The mechanism to evaluate and analyze the risks of unethical conduct includes the followings:</p> <p>(a) "Regulatory and Policy Requirements" and "Possible Fraud Risk" are important assessment factors in the annual audit plan formulated by the Audit Office. The weighting for the aforesaid factors is more than 50% of all risk factors.</p> <p>(b) "Ethical Corporate Management Best Practice Principles" are</p>	No deviation

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
<p>Principles for TWSE/TPEX Listed Companies”?</p> <p>(3)Has the Company clearly prescribed, in the policy for preventing unethical conduct, operational procedures, code of conduct, disciplinary actions and complaint systems for violations in plans, implemented the plans accordingly and periodically reviewed the aforesaid policy?</p>	✓		<p>included as an annual audit item: The 2019 “Ethical Management Audit Report” was presented to the directors and supervisors for review in October 2019. The deficiencies identified in the audit and findings will be listed in the “Audit Results Notice” for follow-up and improvement.</p> <p>(c) At the time of compiling the annual report, the corporate governance taskforce will conduct a consolidated review of the status of implementation for the first half of the fiscal year and disclose quantitative statistics in the annual report, on the company’s website and in the prospectus. The aforesaid disclosed statistics is used as the basis for revising the direction of policy implementation and actions and recommendations for formulating the policy for preventing unethical conduct.</p> <p>(3) Under the framework of “Ethical Corporate Management Best Practice Principles” and “Code of Ethical Conduct”, the Company has formulated management guidelines and specific regulations to for different areas of regulatory compliance including: protection of confidentiality information, preparation of financial statements/internal controls, insider trading, protection of personal information, storage and destroying of documents. Subsidiary companies engaging in environmental protection and food industries have been certified to meet the IOS9001:2015 Quality Management System standards, the occupational health and safety standards and FSSC22000 and ISO22000 Food Safety Management System standards according to the nature of business operations, which are conducted in accordance with regulatory requirements.</p> <p>(a) The Company has established the “Whistleblowing Guidelines” to</p>	

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
			<p>ensure that the "Code of Ethical Conduct" is implemented in practice and provides an email address on the Company's website for reporting fraud and conduct that is in violation of the Code of Ethical Conduct. Any emails sent to the aforesaid address will be automatically forwarded to the audit manager.</p> <p>(b) The Company has purchased employee honesty insurance covering finance and procurement staff to reduce management risks.</p> <p>(c) Clearly set out the disciplinary actions for those in violation of the code of conduct and rewards for those that reported the incident in the "Guidelines for Employee Reward and Disciplinary Action".</p> <p>(d) Internal Audit conducts audits in accordance with the annual audit plan approved by the Board of Directors and present the audit results and recommendations for improvement to the Board of Directors and the management team. Revisions to the procedures shall be submitted by the executing unit by in an application form and such revisions may only be made upon approval by the responsible manager and public announcement.</p>	
<p>2.Implementing ethical corporate management</p> <p>(1) Does the Company assess the integrity records of its business partners, and specify the clauses of ethical business policy in contracts with the partners?</p> <p>(2) Has the Company established a dedicated unit under the Board of Directors for promoting ethical</p>	<p>✓</p> <p>✓</p>		<p>(1) All counterparty to the transactions with the Company are subject to assessment. Each unit is separately responsible for conducting business in accordance with the segregated duties approved by the board. Contracts and the relevant documents shall be submitted to the Legal Department for review and shall be approved by the responsible manager.</p> <p>Specific measures for ethical management include:</p> <p>(a) Commencing from May 2019, new suppliers for the Company's</p>	No deviation

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
<p>corporate management? Does the said unit regularly (at least once a year) report to the Board of Directors on the ethical management policy and policy for preventing unethical conduct and the state of surveillance of the said policies?</p> <p>(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Has the Company's internal audit unit formulated the relevant audit plan on the basis of the risk assessment results of unethical conduct and carried out audits accordingly to ensure compliance with the policy for preventing unethical conduct or has the Company commissioned a CPA to conduct the said audit?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>business operations are required to agree to complying with and sign the Company's "Statement of Corporate Social Responsibilities" at the time of evaluating the suppliers.</p> <p>(b) When evaluating a new supplier for equipment or the Company's construction transactions, a signed copy of the "Corporate Social Responsibility Declaration" from the supplier must be obtained.</p> <p>(2) The Remuneration Committee, Corporate Governance Committee and Audit Office are established under the Board of Directors to supervise and audit the status of compliance of ethical corporate management within the scope of their respective responsibilities. The "Corporate Governance Taskforce" established under the Stock Affairs Office is responsible for formulating and supervising the execution of the ethical corporate management policy and the policy for preventing unethical conduct and shall report to the Board of Directors at least once a year. The implementation status for the 2018 fiscal year was presented at the board meeting held on 8 May, 2019.</p> <p>(3) The Legal Affair Office shall consult legal consultants on significant or doubtful cases according to the field of specialty.</p> <p>(4) In an effort to implement ethical corporate management, the Company has established accounting and internal control systems.</p> <p>A.The Accounting Department reviews transaction accounts in accordance with accounting principles and consult with the CPAs for significant or doubtful cases.</p> <p>B.Auditing Office:</p> <p>(a) The Audit Office has formulated the annual audit plan based on the results of risk assessments and has incorporated "Regulatory and Policy Requirements" and "Possible Fraud</p>	

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
(5) Does the Company regularly organize internal and external training for ethical corporate management ?			<p>Risk” as part of the assessment factors in plan. It then determines the key audit areas based on the risk level and invests resources accordingly.</p> <p>(b) Internal audit staff conduct audits periodically and from time to time in accordance with the internal control systems.</p> <p>(c) Included the “Ethical Management Best Practice Principles” as part of the annual audit. The 2019 “Ethical Corporate Management Audit Report” was issued in October 2019.</p> <p>(5) The company promotes its ethical corporate management philosophy, which forms part of the company culture through meetings and activities. The Company also runs the relevant educational training programs periodically and from time to time:</p> <p>(a) New employee training: new employees attend the orientation program on the date of employment commencement with the Company. In the orientation, contents of the “Integrity Letter and Commitment” and “Employment and Confidentiality Agreement” are clearly explained to reinforce the importance of ethical conduct and disciplines required by the Company. A total of 100 employees completed a total of 300 hours of training during 2019, representing a training completion rate of 100%.</p> <p>(b) Internal training: training courses on compliance with trade secrets and personal information regulations, food labeling regulations, health management, quartz products and strategic commodity law have been conducted during 2019 with a total of 445 attendees receiving a total of 1,293 hours of training.</p> <p>(c) External training: continuing education of staff includes: corporate governance blueprint and audit practices, equal work opportunity</p>	

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
			and anti-sexual harassment, food handling hygiene and sanitization, insider trading case study, high-risk transaction data analysis, patent infringement compensation and business intellectual property. A total of 52 hours of training were completed.	
<p>3.Status for enforcing the Company's Whistleblowing system</p> <p>(1) Has the Company established a specific whistleblowing and reward system, set up convenient whistleblowing channels, and designated appropriate personnel to handle the investigations, depending on the identity of the person being reported?</p> <p>(2) Has the Company established standard investigation procedures for whistleblowing matters, subsequent measures to take after the investigation is completed and the relevant mechanisms to ensure confidentiality?</p> <p>(3) Has the Company adopted measures to protect the whistleblower against inappropriate actions for whistleblowing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Whistleblowing Guidelines and a mailbox (auto-forward to the audit manager) dedicated for reporting fraud and incidents of breaching the code of ethical conduct are published/available on the Company's website and the process is handled in accordance with the Company's management policy, "Guidelines for Employee Reward and Disciplinary Actions" and employee code of conduct. The Audit office conducts audits on the respective units periodically and from time to time to exercise its supervisory function and manage the respective risks.</p> <p>(2) The Company has established the "Whistleblowing Guidelines", signed employee confidentiality agreement and the personnel involved are liable to ensure confidentiality. There was no incident reported during the 2019 fiscal year.</p> <p>(3) The Company's whistleblowing procedures are confidentially carried out and there shall be no inappropriate actions against the whistleblower for whistleblowing.</p>	No deviation

Assessment Item	Implementation Status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" And Reasons for Deviation
	Yes	No	Summary	
4.Enhancing information disclosure Has the Company disclosed the contents of its Ethical Management Best Practice Principles and the effectiveness of the relevant activities on its official website or Market Observation Post System?	✓		The Company upholds our management philosophy of “Integrity, Professionalism and Sharing” and made available the “Ethical Management Best Practice Principles”, “Code of Ethical Conduct” and “Whistleblowing Guidelines” on the Company’s intranet and corporate website (www.topco-global.com) for stakeholders’ reference. The Annual Reports (also available on the corporate website and the Market Observation Post System) and Corporate Social Responsibility Report (http://csr.topco-global.com/) also include the relevant provisions and the results of implementing the Ethical Management Best Practice Principles.	No deviation
5.If the Company has established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any deviations between the principles and their implementation: The Company has formulated the “Ethical Corporate Management Best Practice Principles” and disclosed the said principles on the Company’s website. There is no deviation of the Company’s implementation from the best practice principles.				
6.Other important information that facilitates the understanding of the implementation of ethical corporate management: None.				

(VIII)Corporate governance principles, related guidelines, and the means of accessing this information: The Company has formulated Corporate Governance Best Principles and the related guidelines and have disclosed the said principles and guidelines in the stakeholder section on the Company’s website (<http://www.topco-global.com/webfront/pages/Invertor2.aspx>) and the knowledge management hub on the employee portal (<https://portal.topco-global.com/TopcoEIP/default-6.aspx#>).

(IX) Other material information that can enhance the understanding of the state of the Company’s corporate governance practices: None.

- (X) Implementation of internal control system
1. Statement of Internal Control System

TOPCO SCIENTIFIC CO., LTD
Statement of Internal Control System

March 27, 2020

Based on the findings of a self-evaluation, TOPCO SCIENTIFIC CO., LTD (TOPCO) states the following with regard to its internal control system during year 2019 :

1. TOPCO's Board of Directors and management are responsible for establishing, operating, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TOPCO takes immediate remedial actions in response to any identified deficiencies.
3. TOPCO evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component further contains several items. Please refer to the Regulations for details.
4. TOPCO has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, TOPCO believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of TOPCO's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 27, 2020, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirmed the content of this Statement.

TOPCO SCIENTIFIC CO., LTD

Chairman : Robert Lai



President : Simon Tseng



Charles Lee



2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: None.

- (XI) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report : None
- (XII) Material resolutions made in the Shareholders' Meeting and the Board of Directors in the most recent year and up to the publication date of this Annual Report :
1. Material resolutions from the 2019 Shareholders' Meeting and Implementation Status :
- (1) Accepted 2018 Financial Statements : implementation by resolution.
- (2) Accepted the proposal for the distribution of 2018 earnings : implementation by resolution.
- Total amounts of cash dividend distributed was NT\$963,007,705 based on the resolution from the Shareholders' Meeting, and NT\$5.3 per share.
- Ex-dividend date: July 29, 2019
- Distribut date : Aug. 23, 2019

2. Major resolutions of the Board of Directors :

Date of Meeting	Details of Resolutions
10th Term 11th March 19,2019	<ol style="list-style-type: none"> 1. Approved the Company's 2018 "Review of Internal Control System Effectiveness" and "Statement of Internal Control Systems". 2. Discussed the amount and method of distributing the remuneration to employees, directors, and supervisors for 2018. 3. Discussed the 2018 standalone financial statements and consolidated financial statements prepared by the Company. 4. Discussed the distribution of the Company's 2018 earnings. 5. Discussed the Company's 2018 business reports. 6. Discussed the Company's 2019 business plan. 7. Convened the Company's 2019 general shareholders' meeting. 8. Discussion the period for accepting proposals and location for the Company's 2019 general shareholders' meeting. 9. Discussed the proposal to change the Company's CPAs. 10. Discussed the review of the suitability and independence of the Company's CPAs. 11. Discussed the resolutions of the Company's Remuneration Committee. 12. Discussed the proposal to revise the Company's Articles of Incorporation. 13. Discussion the proposal to revise the Company's "Procedures for Loan to Others and Endorsements and Guarantees" 14. Discussed the proposal to formulate the Company's "Ethical Corporate Management Best Practice Principles". 15. Discussed the proposal to lease the Company's property, plant and equipment to Anyong Biotechnology Co., Ltd. 16. Discussed the renewal of the Company's credit facility for loan and financial transactions provided by Mizuho Bank. 17. Discussed the extension of the endorsement/guarantee provided by the Company for the credit facility provided by the Shanghai Commercial and Savings Bank to Jing Yueh Energy Co. Ltd. 18. Discussed new endorsement/guarantee to be provided by the Company for the credit facility provided by the Sumitomo Mitsui Banking Corporation (China) to Topco Suzhou Construction Co., Ltd. 19. Discussed the termination of endorsement/guarantee provided by the

Date of Meeting	Details of Resolutions
	<p>Company for the credit facility provided by the HSBC (Taiwan) to Hong Kong Topco Trading Ltd.</p> <p>20. Discussed the extension of the endorsement/guarantee on behalf of Topco Scientific (Shanghai) Co., Ltd. and Topscience (S) Pte Ltd. provided by the Company to Fujimi for the general agency agreement.</p>
<p>10th Term 12th May 8, 2019</p>	<ol style="list-style-type: none"> 1. Discussed the consolidated financial statements and the independent auditors' review report for the first quarter of 2019. 2. Discussed the proposal to revise the Company's "Procedures for Acquisition or Disposal of Assets". 3. Discussed the proposal to revise the Company's "Guidelines for Managing Related Party Transactions". 4. Discussed the proposal to formulate the Company's "Standard Procedures for Handling Directors' Requests". 5. Discussed the proposal to formulate the Company's "Corporate Social Responsibility Best Practice Principles". 6. Discussed the application to extend the Company's bank loans, guarantees and other credit facilities. 7. Discussed the extension of the endorsement/guarantee provided by the Company for the credit facility provided by Bank Sinopac to ECO Technical Services Co., Ltd. 8. Discussed the extension of the endorsement/guarantee provided by the Company for the bank credit facility provided to Jia Yi Energy Co., Ltd. 9. Discussed the termination of the endorsement/guarantee provided by the Company for the credit facility provided by Fubon Bank (China) Co., Ltd. to Topco Scientific (Shanghai) Co., Ltd. 10. Discussed the proposal to increase the amount of endorsement/guarantee provided by the Company for the credit facility provided by Fubon Bank (China) Co., Ltd. to Topco Suzhou Construction Ltd. 11. Discussed the proposal to adjust the amount of endorsement/guarantee provided by the Company for the joint credit facility provided by HSBC (China) Co., Ltd. to Topco Scientific (Shanghai) Co., Ltd., Topco Suzhou Construction Ltd., Shanghai Chongyao Trading Co., Ltd., and Topco Chemical (Z.F.T.Z.) Co., Ltd. 12. Discussed the proposal to revise the Company's Articles of Incorporation.
<p>10th Term 13th July 31, 2019</p>	<ol style="list-style-type: none"> 1. Discussed the consolidated financial statements and the independent auditors' review report for the second quarter of 2019. 2. Discussed the application for new or renewal of bank loan, guarantees and other credit facilities. 3. Discussed the application to renew the credit facility for loan and financial transactions provided by MUFG Bank to the Company. 4. Discussed the proposal to terminate the Company's property, plant and equipment lease agreement with Anyong Biotechnology Co., Ltd. prior to maturity. 5. Discussed the proposal to terminate the Company's land and building lease with Anyong Lohas Co., Ltd. prior to maturity. 6. Discussed the proposal to increase the capital of Anyong Biotechnology Co., Ltd. 7. Discussed the proposal to renew the endorsement/guarantee provided by the Company for the credit facility provided by Hua Nan Bank to Jia Yi

Date of Meeting	Details of Resolutions
	<p>Energy Co., Ltd.</p> <p>8. Discussed the proposal to increase the endorsement/guarantee provided by the Company for the credit facility provided by Yuanta Commercial Bank Co., Ltd. to ECO Technical Services Co., Ltd.</p> <p>9. Discussed the proposal to renew the endorsement/guarantee provided by the Company for the credit facility for loan and financial transactions provided by Citibank (China) to Topco Scientific (Shanghai) Co., Ltd.</p> <p>10. Discussed the proposal to renew the endorsement/guarantee provided by the Company for the credit facility provided by Citibank (China) to Top Win(Shanghai) Technology Development Co., Ltd.</p> <p>11. Discussed the proposal to renew the credit facility endorsement/guarantee provided by the Company for Topco Suzhou Construction Ltd.</p> <p>12. Discussed the proposal to adjust the amount of endorsement/guarantee provided by the Company for the joint credit facility provided by HSBC (China) Co., Ltd. to Topco Scientific (Shanghai) Co., Ltd., Shanghai Chongyao Trading Co., Ltd., Topco Suzhou Construction Ltd., and Topco Chemical (Z.F.T.Z.) Co., Ltd.</p>
<p>10th Term 14th Nov.8,2019</p>	<p>1. Discussed the consolidated financial statements and the independent auditors' review report for the third quarter of 2019.</p> <p>2. Discussed the proposal to appoint the chief corporate governance officer.</p> <p>3. Discussed the proposal to change the chief internal auditor.</p> <p>4. Discussed the Company's application to HSBC (Taiwan) to increase the limit on the joint credit facility.</p> <p>5. Discussed the proposal to increase the amount of endorsement/guarantee provided by the Company for the credit facility provided by Bank Sinopac to ECO Technical Services Co., Ltd.</p> <p>6. Discussed the proposal to renew the endorsement/guarantee provided by the Company for the credit facility provided by Hua Nan Bank to ECO Technical Services Co., Ltd.</p> <p>7. Discussed the proposal to increase the amount of endorsement/guarantee provided by the Company for the credit facility provided by the Shanghai Commercial and Savings Bank to Kuan Yueh Technology Engineering Co., Ltd.</p> <p>8. Discussed the proposal to increase the amount of endorsement/guarantee provided by the Company for the credit facility provided by Chang Hwa Bank to Kuan Yueh Technology Engineering Co., Ltd.</p> <p>9. Discussed the proposal to increase the amount of endorsement/guarantee provided by the Company for the credit facility provided by Shanghai Commercial and Savings Bank to Jing Yueh Energy Co., Ltd.</p> <p>10. Discussed the proposal to increase the amount of performance endorsement/guarantee provided by the Company to Bank of Panhsin on behalf of Anyong Freshmart, Inc.</p> <p>11. Discussed the proposal to renew the endorsement/guarantee provided by the Company to Sumitomo Mitsui Banking Corporation (China) Limited for the credit facility to Topco Suzhou Construction Ltd.</p> <p>12. Discussed the termination of endorsement/guarantee provided by the Company for the credit facility provided by Bank Sinopac (China) to Shanghai Chongyao Trading Co., Ltd..</p> <p>13. Discussed the performance guarantee to be provided by the Company to</p>

Date of Meeting	Details of Resolutions
	United Integrated Service for the construction contract between United Integrated Service and ECO Technical Services Co., Ltd.
10th Term 15th Dec.25,2019	<ol style="list-style-type: none"> 1. Discussed the Company's 2020 audit plan. 2. Discussed the Company's 2020 business plan. 3. Discussed the matters proposed by the Company's Remuneration Committee for resolution. 4. Discuss the proposal to renew the Company's credit facility for loan and financial transactions provided by the Chinatrust Commercial Bank. 5. Discuss the endorsement/guarantee provided by the Company to affiliated enterprises for their credit facility.

(XIII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report:
None

(XIV) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of the Company personnel such as Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief R&D officer :

Tital	Name	Inauguration date	Dismissal date	Reasons for resignation or dismissal
chief internal auditor	Della Huang	Jan.10,2004	Nov.8,2019	Transferred to chief corporate governance officer

V 、 Information on CPA fees :

Audit Fee

Accounting Firm	Name of CPA		CPA's Audit Period	Note
KPMG	Yiu-Kwan Au	Szu-Chuan Chien	Jan.1,2019-Dec.31,2019	None

Unit : NT\$ thousands

Fee Range	Items	Audit fee	Non- audit fee	Total
1	Under NT\$2,000,000		160	160
2	NT\$2,000,001 ~ 4,000,000			
3	NT\$4,000,001 ~ 6,000,000			
4	NT\$6,000,001 ~ 8,000,000	6,025		6,025
5	NT\$8,000,001 ~ 10,000,000			
6	Over 10,000,000			

- (I) Non-audit fees paid to the auditors, accounting firm and its affiliates accounted for more than one-fourth of total audit fees: None
- (II) Replaced the accounting firm and the audit fees paid to the new accounting firm was less than the payment of previous year: Not applicable.
- (III) Audit fees reduced more than 15% year over year : None

VI · Information on replacement of CPAs

1. Former CPAs

Date of Change	Approved by the Board Meeting on Mar 19, 2019		
Reasons and Explanation of Changes	In compliance with regulatory requirements on rotation, the co-signing partner Kuan-Ying Kuo was replaced by Szu-Chuan Chien starting from 2019. The engagement partner remains to be Yiu-Kwan Au		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status		
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (discontinued)	Not applicable	Not applicable
The opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None		
Is there any disagreement in opinion with the issue	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	v	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

2. Successor CPAs

Accounting Firm	KPMG
CPA	Yiu-Kwan Au and Szu-Chuan Chien
Date of Engagement	Approved by the Board Meeting on Mar 19, 2019
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

3. The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None

VII · The Company's Chairman, President or managers in charge of finance or accounting has been under current accounting firm or its affiliates' employment in 2019: None

VIII · The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report :

(I) Changes in shares held by Directors, Supervisors, managers, and shareholders holding 10% or more of shares :

Title	Name	2019		As of Apr.30,2020	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	Jia Pin Investment Development Company Limited representative: Robert Lai	0	0	0	0
Director	J. W. Kuo	(2,000,000)	0	0	0
Director	Jeffery Pan	0	0	0	0
Director	Simon Tseng	0	0	0	0
Director	Charles Lee	0	0	0	0
Independent director	Chen, Linsen	0	0	0	0
Independent director	Sun,Pi-Chuan	0	0	0	0
Supervisor	Fu-Hsiung, Wang	0	0	0	0
Supervisor	Pei-fen, Chang	(15,000)	0	0	0
Supervisor	Guang-Jer, Lai	0	0	0	0
CFO	Joyce Lu	0	0	0	0
COO	James Wang	0	0	0	0
COO	Dennis Chen	0	0	0	0
COO	Daniel Wu	0	0	0	0
COO	Eugene Lee	0	0	0	0
CTO	Tina Ding	0	0	0	0
General Manager of BU	Daniel Yang	0	0	4,000	0
General Manager of BU	Steve Tan	(72,000)	0	3,000	0
Sr. Deputy General Manager	Kevin Lin	0	0	0	0
Vice president	Monica Chiu	0	0	0	0
Sr. Deputy General Manager	Reggie Liu	0	0	0	0
Sr. Deputy General Manager	Eva Mai	5,000	0	10,000	0
Sr. Deputy General Manager	Della Huang	0	0	0	0
Vice president	Nicole Lee	(5,000)	0	0	0

(II) Shares Trading with Related Parties:

Name	Reason for trading	Trading date	Related Parties	Mutual relationship	Shares	Trading price
J.W.Kuo	Trust	Apr.8,2019	CTBC Bank-Trust Account	None	2,000,000	-

IX 、 Information of relationships between Top 10 shareholders are related parties :

Unit:shares; %

Name	Shares held		Shares held by spouse or underage children		Total shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Note
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Title (or Name)	Relationships	
J. W. Kuo	8,133,759	4.48%	69,030	0.04%	-	-	-	-	
Jia Pin Investment Development Company Limited representative:Robert Lai	6,179,382 0	3.40% 0%	0 20,000	0 0.01%	-	-	-	-	
Jinyan Xie	5,485,000	3.02%	0	0	-	-	-	-	
Shin Kong Life Insurance Co., Ltd.	4,513,000	2.48%	0	0	-	-	-	-	
Citibank in custody for Norges Bank	3,329,177	1.83%	0	0	-	-	-	-	
Yingfang Zhang	2,873,856	1.58%	0	0	-	-	-	-	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,797,260	1.54%	0	0	-	-	-	-	
Chunghwa Post Co., Ltd.	2,563,000	1.41%	0	0	-	-	-	-	
JPMorgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	2,315,342	1.27%	0	0	-	-	-	-	
HSBC in Custody for Morgan Stanley Investment Account	2,183,889	1.20%	0	0	-	-	-	-	

V · Number of shares held and combined shareholdings percentage in the same investment business by the Company, the Company's Directors, Managers, and companies directly or indirectly controlled by the Company :

Unit:shares; %, Apr.30,2020

Investment business (Note)	Investment by the Company		Investment by Directors, supervisors, managers and directly or indirectly-controlled business		Combined investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Topco Quartz Co.,Ltd.	12,800	40%	-	-	12,800	40%
Fortune Co.,Ltd.	18,700,000	25%	50,000	0.1%	18,750,000	25%
Topco Group Ltd.	15,518,000	100%	-	-	15,518,000	100%
Topco International Investment Co., Ltd.	37,000,000	100%	-	-	37,000,000	100%
Topco Investment Co., Ltd.	21,000,000	100%	-	-	21,000,000	100%
Taiwan E&M System, Inc.	42,500,000	100%	-	-	42,500,000	100%
ECO Technical Services Co., Ltd..	22,293,121	100%	-	-	22,293,121	100%
Anyong Biotechnology, Inc.	19,882,304	99%	117,696	1%	20,000,000	100%
Anyong Freshmart, Inc.	21,800,000	100%	-	-	21,800,000	100%
Yilan Anyong Lohas Co., Ltd.	21,700,000	100%	-	-	21,700,000	100%
Kanbo Biomedical CO., Ltd.	909,091	91%	90,909	9%	1,000,000	100%
Xiang Yueh Co., Ltd.	600,000	100%	-	-	600,000	100%
Jia Yi Energy CO., Ltd.	22,819,131	83.8%	4,405,887	16.2%	27,225,018	100%
Kuan Yueh Technology Engineering Co., Ltd.	2,327,983	21%	8,885,268	79%	11,213,251	100%
General Precise Technology Co., Ltd.	1,000,000	100%	-	-	1,000,000	100%
Winfull Bio-tech CO.,Ltd..	3,500,000	39%	-	-	3,500,000	39%
Winaico Immobilien GmbH	5,000,000	28%	-	-	5,000,000	28%

Note : Logn term investment under the equity method.

Chapter 4 Capital and Shares

I. Capital and Shares

(I) Source of Share Capital

Unit : Thousand Shares; NT\$ Thousand

Month/ year	Par value (NT\$)	Authorized capital		Paid-in capital		Note			
		Shares	Amount	Shares	Amount	Source of capital		Capital increase by assets other than cash	Others
02.1990	10	500	5,000	500	5,000	Establishment capital	5,000	None	-
04.1993	10	1,600	16,000	1,600	16,000	Capital increase by cash	11,000	None	-
03.1995	10	3,600	36,000	3,600	36,000	Capital increase by cash	20,000	None	-
03.1996	10	6,000	60,000	6,000	60,000	Capital increase by cash	24,000	None	-
08.1997	10	13,200	132,000	13,200	132,000	Capital increase by cash Capitalization of Retained Earnings	60,000 12,000	None	-
05.1998	10	22,800	228,000	22,800	228,000	Capital increase by cash Capitalization of Retained Earnings	56,400 39,600	None	May.12,1998 Tai-Cai-Zheng-Yi-Zi No. 37796
08.1999	10	24,510	245,100	24,510	245,100	Capitalization of Retained Earnings	17,100	None	Aug.10,1999 Tai-Cai-Zheng-Yi-Zi No. 73773
06.2000	10	43,000	430,000	30,112	301,120	Capitalization of Retained Earnings	56,020	None	Jun.17,2000 Tai-Cai-Zheng-Yi-Zi No. 52484
05.2001	10	88,000	880,000	51,807	518,068	Capital increase by cash Capitalization of Retained Earnings	75,000 141,948	None	Apr.19,2001 Tai-Cai-Zheng-Yi-Zi No. 118324 May.17,2001 Tai-Cai-Zheng-Yi-Zi No. 130613
06.2002	10	88,000	880,000	67,945	679,446	Capitalization of Retained Earnings	161,378	None	Jun.4,2002 Tai-Cai-Zheng-Yi-Zi No. 09100130324
07.2003	10	100,000	1,000,000	77,598	775,980	Capitalization of Retained Earnings	96,534	None	July.17,2003 Tai-Cai-Zheng-Yi-Zi No. 09200132292
06.2004	10	120,000	1,200,000	91,238	912,377	Capitalization of Retained Earnings	136,397	None	Jun.30,2004 Tai-Cai-Zheng-Yi-Zi No. 0930128858
07.2005	10	130,000	1,300,000	102,361	1,023,615	Capitalization of Retained Earnings	111,238	None	July.11,2005 Tai-Cai-Zheng-Yi-Zi No. 0940127935
09.2005	10	130,000	1,300,000	111,646	1,116,455	Conversion of convertible bond	92,841	None	Sep.6,2005 Jing-Shou-Shang-Zi No. 09401170830
10.2005	10	130,000	1,300,000	114,681	1,146,813	Conversion of convertible bond	30,358	None	Oct.24,2005 Jing-Shou-Shang-Zi No. 09401210470
02.2006	10	130,000	1,300,000	115,351	1,153,506	Conversion of convertible bond	6,693	None	Jing-Shou-Shang-Zi No. 09501023940 dated Feb.15,2006

Month/ year	Par value (NT\$)	Authorized capital		Paid-in capital		Note			
		Shares	Amount	Shares	Amount	Source of capital		Capital increase by assets other than cash	Others
04.2006	10	130,000	1,300,000	115,446	1,154,463	Conversion of convertible bond	956	None	Apr.25,2006 Jing-Shou-Shang-Zi No. 09501074850
07.2006	10	130,000	1,300,000	123,019	1,230,186	Capitalization of Retained Earnings	75,723	None	July.11,2006 Jing-Guan-Zheng-Yi-Zi No. 0950129737
07.2007	10	160,000	1,600,000	133,630	1,336,299	Capitalization of Retained Earnings Capitalization by Capital reserve	44,604 61,509	None	July.13,2007 Jing-Guan-Zheng-Yi-Zi No. 0960036201
07.2008	10	160,000	1,600,000	140,139	1,401,388	Capitalization of Retained Earnings	65,089	None	July.1,2008 Jing-Guan-Zheng-Yi-Zi No. 0970032602
07.2009	10	160,000	1,600,000	142,942	1,429,415	Capitalization of Retained Earnings	28,028	None	July.1,2009 Jing-Guan-Zheng-Fa-Zi No. 0980032782
06.2010	10	160,000	1,600,000	145,800	1,458,004	Capitalization of Retained Earnings	28,588	None	Jun.30,2010 Jing-Guan-Zheng-Fa-Zi No. 0990033701
06.2011	10	160,000	1,600,000	148,716	1,487,164	Capitalization of Retained Earnings	29,160	None	Jun.29,2011 Jing-Guan-Zheng-Fa-Zi No. 1000029920
04.2012	10	160,000	1,600,000	148,824	1,488,244	Capitalization by employee stock options	1,080	None	Apr.3,2012 Jing-Shou-Shang-Zi No. 10101058630
07.2012	10	160,000	1,600,000	149,130	1,491,304	Capitalization by employee stock options	3,060	None	July.19,2012 Jing-Shou-Shang-Zi No. 10101143750
10.2012	10	160,000	1,600,000	149,135	1,491,354	Capitalization by employee stock options	50	None	Oct.16,2012 Jing-Shou-Shang-Zi No. 10101213090
04.2013	10	160,000	1,600,000	149,595	1,495,954	Capitalization by employee stock options	4,600	None	Apr.19,2013 Jing-Shou-Shang-Zi No. 10201071000
06.2013	10	160,000	1,600,000	149,904	1,499,044	Capitalization by employee stock options	3,090	None	July.4,2013 Jing-Shou-Shang-Zi No. 10201127850
06.2013	10	160,000	1,600,000	152,887	1,528,871	Capitalization of Retained Earnings	29,827	None	Jun.28,2013 Jing-Guan-Zheng-Fa-Zi No. 1020025171
10.2013	10	160,000	1,600,000	153,679	1,536,791	Capitalization by employee stock options	7,920	None	Oct.14,2013 Jing-Shou-Shang-Zi No. 10201210870
01.2014	10	160,000	1,600,000	154,813	1,548,131	Capitalization by employee stock options	11,340	None	Jan.8,2014 Jing-Shou-Shang-Zi No. 10301003200
07.2014	10	160,000	1,600,000	157,909	1,579,094	Capitalization of Retained Earnings	30,963	None	July.30,2014 Jing-Guan-Zheng-Fa-Zi No. 1030028949
07.2015	10	170,000	1,700,000	162,647	1,626,466	Capitalization of Retained Earnings	47,373	None	July.22,2015 Jing-Guan-Zheng-Fa-Zi No. 1040027596
07.2016	10	170,000	1,700,000	165,900	1,658,996	Capitalization of Retained Earnings	32,529	None	Effective registration from FSC on Jul 11, 2016
10.2017	10	190,000	1,900,000	181,700	1,816,996	Capital increase by cash	158,000	None	Oct 26, 2017 Jin-Guan-Zheng-Fa-Zi No. 1060039801

Share type	Authorized capital			Note
	Outstanding Shares	Unissued Shares	Total	
Common Stock	181,699,567	8,300,433	190,000,000	

Note 1 : Reserve NT\$100 million for issuance of employee stock options ◦

Note 2 : information of Shelf registration: Not applicable ◦

(II) Shareholder structure

May 25, 2020

Shareholder structure Quantity	Government institutions	Financial institutions	Other corporations	Foreign institutions and foreigners	Individual	Total
Number of persons	5	24	107	263	26,705	27,104
Number of shares held	2,643,772	16,648,139	10,220,973	52,111,338	100,075,345	181,699,567
Shareholding Percentage (%)	1.46%	9.16%	5.62%	28.68%	55.08%	100.00%

(III) Distribution of Equity Ownership

1. Type: Common shares

Shareholding base date: MAY 25, 2020; Unit: Shares

Class of shareholding	Number of shareholders	Number of shares held	Shareholding percentage (%)
1 to 999	14,813	1,382,748	0.76%
1,000 to 5,000	9,348	18,384,621	10.12%
5,001 to 10,000	1,378	10,167,297	5.60%
10,001 to 15,000	540	6,701,111	3.69%
15,001 to 20,000	223	3,981,895	2.19%
20,001 to 30,000	254	6,279,800	3.46%
30,001 to 40,000	111	3,828,211	2.11%
40,001 to 50,000	83	3,769,852	2.08%
50,001 to 100,000	153	11,073,465	6.09%
100,001 to 200,000	84	11,742,385	6.46%
200,001 to 400,000	53	14,315,061	7.88%
400,001 to 600,000	22	10,552,977	5.81%
600,001 to 800,000	7	4,766,543	2.62%
800,001 to 1,000,000	3	2,765,258	1.52%
1,000,001 or more	32	71,988,343	39.61%
Total	27,104	181,699,567	100.00%

2. Preferred shares : None

(IV) List of Major Shareholders (Top 10 shareholders who own the most shares) :

May 25, 2020

Names of major shareholders	Shares	Number of shares held	Shareholding percentage (%)
J. W. Kuo		8,133,759	4.48%
Jia Pin Investment Development Company Limited		6,179,382	3.40%
Jinyan Xie		5,485,000	3.02%
Shin Kong Life Insurance Co., Ltd.		4,513,000	2.48%
Citibank in custody for Norges Bank		3,329,177	1.83%
Yingfang Zhang		2,873,856	1.58%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		2,797,260	1.54%
Chunghwa Post Co., Ltd.		2,563,000	1.41%
JPMorgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account		2,315,342	1.27%
HSBC in Custody for Morgan Stanley Investment Account		2,183,889	1.20%

(V) Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Items		Fiscal Year		As of Mar.31,2020	
		2018	2019		
Market Price per Share	Highest	92.90	113	115	
	Lowest	60.30	67.3	75.6	
	Average	77.94	87.52	101.57	
Net Value per share	Before distribution	47.12	52.35	47.03	
	After distribution	41.82	45.85	47.03	
Earnings per share	Weighted Average Share		181,699,567	181,699,567	181,699,567
	EPS	Not-Adjusted	7.73	9.48	2.51
		Adjusted	7.73	9.48	2.51
Dividend per Share	Cash dividend		5.30	(Note 5) 6.5	-
	Stock dividend	Earning Distribution	-	-	-
		Capital Distribution	-	-	-
	Accumulated Undistributed Dividend (Note 1)		-	-	-
Return on investment Analysis	Price/earnings ratio(Note 2)		10.08	9.23	-
	Price/dividend ratio(Note3)		14.71	13.46	-
	Cash dividend yield(Note 4)		0.0680	0.0743	-

Note 1 : Disclose the accumulated unpaid amount if there's any accumulated undistributed dividends.

Note 2 : Price/earnings ratio = Average Market price per share/Earnings per share.

Note 3 : Price/dividend ratio = Average Market price per share/Cash dividend per share.

Note 4 : Cash dividend yield = Cash dividend per share / Average Market price per share.

Note 5 : Approved by Board Meeting on Mar 27,2020.

(VI) Dividend Policy and Implementation :

1、The dividend policy set forth in Article 20, 20-1 of the Articles of Incorporation

The Company shall set aside no less than 4% of its earnings for the period, if any, as employees' profit-sharing bonus and not more than 3% of its earnings as remuneration to Directors and Supervisors. Notwithstanding the forgoing, the Company shall reserve a sufficient amount of earnings to offset its accumulated losses. Where remuneration to employees are distributed by way of shares or cash, employees of affiliated enterprises of the Company may be eligible provided that certain criteria are met that approved by the Board of Directors.

The Company's earnings for the current fiscal year shall be distributed in the following order: (1) first to be offset against losses; (2) 10 percent of the remaining earnings, if any, be set aside as legal reserve; (3) allocate or reverse special reserve in accordance with regulations or rules of the governing authority; (4) the sum of any balance remaining and accumulated retained earnings for the current period will be accumulated earnings available for distribution. The aforesaid accumulated earnings may be distributed in the manner set out in the proposal put forward by the Board of Directors and upon adoption at the meeting of shareholders.

The Company authorizes the Board of Directors to resolve by a majority vote at a Board of Directors' meeting attended by at least two-thirds of the total number of directors to distribute dividends or bonuses in whole or in part by way of cash or to distribute the legal reserve and capital reserve in whole or in part and report such distributions to the shareholders' meeting.

The Company may distribute dividends by way of cash or issuance of new shares, taking into account earnings for the current fiscal year and the overall industry environment, provided that the total value of cash dividends distributed shall be at least 10 percent of the total value of dividends distributed and any shortfall may be supplemented by the issuance of new shares upon resolution at a shareholders' meeting pursuant to the Company Act.

When allocating the net profit for each fiscal year, the Company shall deduct losses from the prior years and set aside legal capital reserve, and then set aside or reverse a special reserve in accordance with laws and regulation. Distribution amount shall not be lower than 50% of the remainder of the said profit.

- 2、Dividend payout plans proposed during the most recent shareholders' meeting The Company's Board of Directors' meeting on March 27, 2020 has approved the proposal to distribute cash dividends of NT\$1,181,047,186 (NT\$6.5 for each share).
- 3、Major changes expected in the dividend policy : None.

(VII) Impact from current dividend distribution on Company's operating performance and EPS :

As no stock dividend distribution is planned and financial forecast for year 2020 is not disclosed, it is not applicable to provide estimates on profit, loss, EPS, or any other assumptive data.

(VIII) Compensation for employees, Directors and Supervisors :

1、The dividend policy set forth in Article 20, 20-1 of the Articles of Incorporation.

The Company shall set aside no less than 4% of its earnings for the period, if any, as employees' profit-sharing bonus and not more than 3% of its earnings as remuneration to Directors and Supervisors. Notwithstanding the forgoing, the Company shall reserve a sufficient amount of earnings to offset its accumulated losses. Where remuneration to employees are distributed by way of shares or cash, employees of affiliated enterprises of the Company may be eligible provided that

certain criteria are met that approved by the Board of Directors.

- 2、The basis for estimating the amount of employees, directors and supervisors compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
The remunerations estimated to employees, directors and supervisors for the year 2019 were based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's article. These remunerations were expensed under operating expenses. The number of shares to be distributed was calculated based on the closing price of the Company's ordinary shares, one day before the date of the Board Meeting. Related information would be available at the Market Observation Post System website. If the actual amounts subsequently paid differ from the above estimated amounts, the differences will be recorded in the year paid as a change in accounting estimate.
- 3、Distribution of compensation passed by the Board of Directors：
 - (1)As resolved by the Board Meeting on Mar 27, 2020, the remuneration to employees, directors and supervisors were NT\$93,268 thousand and NT\$23,859 thousand respectively. There is no difference between the distributed and estimated amounts this year.
 - (2)Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined:
No stock compensation proposed for employees was distributed in 2019.
- 4、Actual distribution of employee bonus and remuneration of board directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies if any from the amount of employees' bonus and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies：
Remuneration to employees, directors and supervisors for the year 2018 was NT\$77,083,000 and NT\$19,719,000 respectively, there was no difference between the estimated amount and the actual amount distributed.

(IX) Repurchase of shares by the Company：None

II、Corporate bond processing：None

III、Handling of preferred shares：None

IV、Handling of overseas depositary receipts：None

V、Employee stock option handling status：None

VI、Issuance of new shares in connection with the merger or acquisition of other corporations：None

VII、Implementation status of fund application：None

Chapter 5 Operational Highlights

I 、Business activities :

(I) Scope of business :

1. Major business activities :

Our services include the distribution of precision materials, processing equipment, and components required in the semiconductor, LCD, and LED industries. We have strived to meet customers' needs through consistent good quality, speedy delivery, and prompt service in the fields of high-tech. We have also penetrated into the environmental protection and alternative energy sectors, and now offer services in water treatment, clean rooms, and solar energy power station construction. Our ultimate goal is to build a comprehensive supply chain and service network that covers design, deployment, operation, maintenance and waste recycling. In recent years, we have utilized our high-tech expertise in the livelihood industry with considerable progress in various areas, i.e. food, healthcare, sports, and recreation.

2. Percentage of sales revenue :

Product Category	Sales amount (NT\$ thousands)	Percentage(%)
Semiconductor Related Products	25,065,641	79.1%
LED/LCD/Electronics Applications Related Materials	2,259,337	7.1%
Environmental Engineering and Facility Systems	3,876,038	12.2%
Solar Related Materials	208,551	0.7%
Other	290,949	0.9%
Total	31,700,516	100%

3. Product Category :

Product Category	Type of Products
Semiconductor Related Products	Wafer 、Reclaim Wafer 、Solar Wafer 、Photoresist 、Thick Film Photoresist (I-Line) 、Hexamethyldisilazane 、Mask 、Blanks 、Pellicle 、Quartz Crucible 、CVD 、Chemical 、Special Gas 、CMP Slurry 、Wafer Shipping Box(FOSB) 、FOSB 、FOUP 、Vertical/ Horizontal Tube Cleaner 、Epoxy Mold Compound for IC Packing、EMC、Thermal Interface Material 、Equipment Installation and Maintenance Service 、spare parts
LED/LCD/Electronics Applications Related Materials	Insulating Materials/ Conductive Materials 、Conductive connection material 、Fiber 、Silicone resin 、Fluoro Elastomers 、Fluoro thermoplastics 、Mask/Glass Coating 、B4C 、 Rare Earth Oxides(REO) 、High temperature printing/ Spray ink 、LCD Related Equipment & Service 、Automatic Fire Extinguishing System.
Environmental Engineering and Facility Systems	Industrial Water & Wastewater Treatment Engineering 、MEP & C/R Engineering 、Environmental Public Works 、Waste Application and Treatment Service 、Equipment & Chemicals

Product Category	Type of Products
Solar Related Materials	Provide sales and services of solar related materials and products, including Solar Conductive Silver Paste, Diamond Wire, Quartz Crucible, Solar Charge Controller, Services of Solar System Integration Engineering, Remote Monitoring System, Operation Maintenance.
Fresh food, healthcare product and distribution channels	Sale of frozen seafood and processed food; comfortable and convenient fusion dining; development of functional products and personal care products; customized products that meet market demands.

4. New products (services) under development :
- (1) Development of the foundry service and cooperation with Mainland Chinese and Japanese IC design houses for OEM expansion and development.
 - (2) Research and development of high reliability substrate /primer and extend that to the 5G high-frequency substrate market. We anticipate the market to experience marked growth in the future.
 - (3) Develop 3D metal printing to consolidate related opportunities for the goal of growing new businesses in the metal powder market.
 - (4) Develop and expand the market (product growth) in Vietnam, Thailand, and Malaysia.
 - (5) Set up a dedicated taskforce to work collaboratively with consulting firms, scholars, equipment suppliers and system providers; leveraging on the company-owned wastewater treatment and waste cleanup technology, we hope to develop solutions for waste solvent treatment and reuse as well as livestock methane center to fully capitalize on the opportunities presented by the circular economy.
 - (6) Grow the food processing and tourism market by utilizing our fresh chilled technology and manufacture safe, tasty, and convenient frozen food for consumers. Develop new businesses including frozen food logistics, food distribution channel and fusion dining.

(II) Industry highlights :

1、Semiconductor

(1) Current industry status and development:

Total annual sale in the global semiconductor industry reached US\$ 412.1 billion for 2019, representing a decline of 12.8% compared to 2018, primarily due to overproduction and excess inventory in the memory market.

Total global semiconductor sales for 2019 amounted to 932 billion chips, a decline of 12.1% against 2018. The ASP for 2019 was US\$ 0.442, a decrease of 5.3% against 2018. In terms of geographical segments, the US semiconductor sale for 2019 totaled US\$ 78.5 billion, a decrease of 10.8% against 2018; the sale in Japan totaled US\$ 36 billion, a decrease of 10.0% against 2018; the sale in Europe totaled US\$ 39.8 billion, a decrease of 7.3% against 2018; the sale in the Asian region totaled US\$ 257.8 billion, a decrease of 8.8% against 2018.

According to statistics published by IEK, the consulting arm of the Industrial Technology Research Institute, the total value of production of Taiwan's IC industry reached NT\$ 2,665.6 billion for 2019, an increase of 1.7% against 2018; amongst which production in the IC design industry totaled NT\$ 692.8 billion, an increase of 8% against 2018; IC manufacturing reported total production of NT\$ 1,472.1 billion, a decline of 0.9% against 2018, amongst which the foundry service reported a total production of NT\$ 1,312.5 billion, an increase of 2.1%

against 2018. Memory and other types of manufacturing totaled NT\$ 159.6 billion, a decline of 20.4% against 2018; IC packaging totaled NT\$ 346.3 billion, an increase of 0.5% against 2018 ; IC testing totaled NT\$ 154.4 billion, an increase of 4.0% against 2018

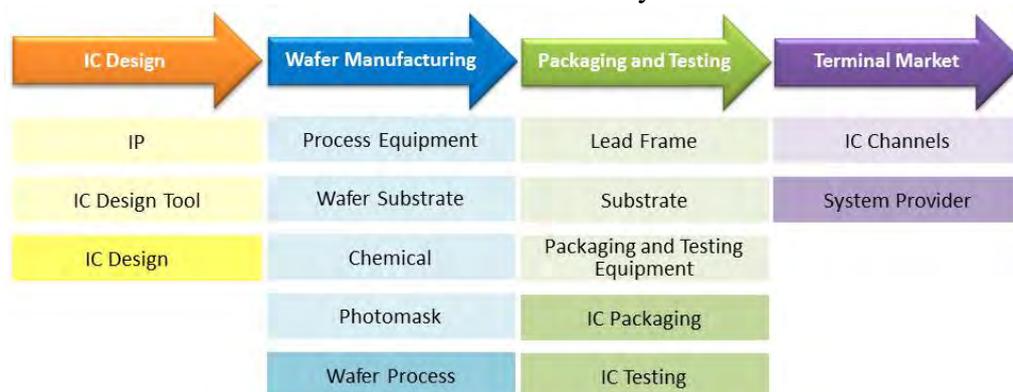
Domestic IC Industry Production from 2017 to 2019 Unit: NT\$ billion

Item	2017		2018		2019	
	Production	Annual Growth	Production	Annual Growth	Production	Annual Growth
IC design	6,171	-5.5%	6,413	3.9%	6,928	8.0%
IC manufacturing	13,682	2.7%	14,856	8.6%	14,721	-0.9%
Foundry	12,061	5.0%	12,851	6.6%	13,125	2.1%
Memory manufacturing	1,621	-11.8%	2,005	23.7%	1,596	-20.4%
IC packaging	3,330	2.8%	3,445	3.5%	3,463	0.5%
IC testing	1,440	2.9%	1,485	3.1%	1,544	4.0%
IC Industry Production	24,623	0.5%	26,199	6.4%	26,656	1.7%

Data source: TSIA, IEK, ITRI (2020/02)

(2) The relationships amongst the upper, middle, and lower streams of the supply chain:

The relationships amongst the upper, middle, and lower streams of the semiconductor industry are divided into design, wafer manufacturing, and packaging and testing. Vertical diversification is a unique feature of Taiwan’s semiconductor industry and it is this unique feature that allowed Taiwan to establish a competitive position in the global market given the rapidly changing industry environment and increasingly expanding investment in capital facility. Efficiency and agility to adapt achieved through specialization has been well regarded and recognized, which allowed Taiwan’s IC industry to perform better than others in the world. However, a slow-down in the economy may magnify the weakness of over concentration of the industry.



Data source: Invest in Taiwan, Ministry of Economic Affairs

(3) Growth and competition:

In relation to the outlook for 2020, semiconductor parts that are key components of the computing system used in smart phones, car electronic system and AI, cloud, mass data storage, deep learning apps are expected to perform better.

2 、 Current status and development of the LED industry

According to the latest LEDinside report, the “2019 Outlook for Packaging and LED

Lighting Market” shows that the LED lighting market is on an upward growth trend between 2018 and 2023. The LED lighting market expects to reach US\$56.6 billion by 2023 and the compound annual growth rate is expected to be 9% between 2018 and 2023. A vibrant LED lighting market is gradually developing in the South-East Asian market, which benefited from the rapid growth in the local economies, huge basic infrastructure investments and high level of population therefore high demands for lighting.

3、LCD industry

In relation to the outlook for 2020, oversupply in the panel industry will continue. Uncertainties created by the Covid-19 pandemic and the US-China trade war on the supply chain. The current indication is that LCD will remain the mainstream technology while the Micro LED, QLED and OLED related technology continue to improve. Development of the next-generation panels will continue to focus on high resolution, wide color gamut and soft display. The 5G panels integrate smart display and emerging apps and the panel manufacturers emphasize product differentiation by introducing a diverse range of product options and are in aggressive pursuit of launching high value-adding products such as 8K, narrow-border panels. Manufacturers are also pioneering new areas of applications such as car display, headset display, digital board, and smart home etc.

4、Current status and development of environmental protection engineering and warehouse system

Thanks to the demand created by the Apple supply chain, some semiconductor and electronics manufacturers still have plans to expand their production capacity and process change, thus resulting in demand for water treatment and clean room construction. In Mainland china, United Microelectronics Corporation, Yangtze Memory Technologies Co., Ltd., Semiconductor Manufacturing International Corporation、HeJian Technology Co., Ltd and Innoscience Co., Ltd. all have investment plans to grow their semiconductor business. Consequently, the demand for plant mechanical engineering, water treatment environmental protection engineering and chemicals is expected to grow. In recent times, the government has been a strong advocate for the circular economy (such as water recycling center, circular economy of livestock breeding and biogas power generation). The Taiwan Sugar Corp. budgeted to invest NT\$ 6 billion in reconstructing pig shelters and wastewater treatment systems in its business locations in Taichung, Yunlin, and Tainan. Therefore, we expect to see an uptick of demand for equipment, systems, and engineering/construction in connection with the circular economy issues.

(III) Technology and research/development highlights：

1. The Group established the photoelectric thermal material laboratory in 2010 to further our capability in material research and development, focusing on the development of materials used in photoelectric, heat conductors and heat ventilators. After a decade of hard work, our research and development yield outstanding results. We successfully developed products including optical IR ink, surface finish anti-glare and anti-hardening coating and silicone material and epoxy compound for LED packaging commercial sale.
2. In the past two years, we have successfully developed the surface coating materials used in fingerprint identification and the process technology, including IR absorbent optical coating (IR absorber paint) and high-strength ink coating which are being mass produced to offer our customers a total solution for the materials required for the later part of the manufacturing process of fingerprint identification modules.
3. The Company partnered with Taiwan’s laser equipment suppliers in 2019 and successfully developed the protective film used for laser cutting to penetrate the

- back-end packaging market, meeting the diverse and tailor-made demand of Taiwan's customers and the goal making the materials available locally.
4. In response to the potential of the market for Mini-LED and Micro-LED applications, the Group has actively pursued the development of key materials required for the mass transfer process to assist suppliers and customers in successfully developing the application materials required for the mass transfer process.
 5. On green energy, the Company continues to keep on top of environmental protection issues and makes long-term investments in wastewater treatment technology and products that meet the latest environmental protection regulations, to help customers resolve the challenge they face with handling wastewater produced by high-tech manufacturing. We have successfully developed the wastewater treatment system for to treat wastewater produced by the photolithography process and bounding process, as well as grinding and cutting solutions, porous solid bio-carriers, and wastewater that contains fluoride. The Company has devoted several years to developing the wastewater treatment technology. Our solid research and development energy and results are widely acclaimed by our customers in Taiwan and offshore.
 6. In response to the wastewater discharge standards becoming increasingly rigorous, in the past two years, the Company has developed volatile wastewater treatment system, suspension radio treatment system, continuous Caro's acid decomposition and recycling system, mixed fire resistant and reactive chemicals treatment system, and organic sludge dewatering system. We successfully launched our wastewater systems in local and offshore high-tech plants to assist our clients in meeting the wastewater discharge standards as well as the cost of treating wastewater.
 7. In wastewater treatment technology, during 2019, the Group successfully developed some advanced wastewater treatment technology including the IPA wastewater treatment technology (concentrate + catalytic oxidation), wasted CO₂ recovery, ammoniacal nitrogen pollutant removal technology, technology to recycle valuable (copper) metal in wastewater, low derivative wastewater treatment technology to help our clients in improving the efficiency and cost of wastewater treatment. Several clients verified and chose to use the technology.
 8. Total research and development cost for 2019 was NT 77,361 thousand dollars.
 9. Important patents of the Company are listed as follows:
 - (1) 「 WASTEWATER TREATMENT SYSTEM 」
has been applied Utility Patent and patented as TW 394325 / 412162 、 CN201770529U / 202220106U.
 - (2) 「 Protection structure for wafer circuit and manufacturing method thereof 」
has been applied Utility Patent and patented as TW390600.
 - (3) 「 CHARGING SYSTEM AND CHARGING METHOD THEREOF 」
has been applied Utility Patent and patented as TW406471 、 CN 102299391A.
 - (4) 「 Flexible optical film and manufacturing method thereof 」
has been applied Utility Patent and patented as CN103293574A.
 - (5) 「 TOUCH PANEL AND SHADING MATERIAL THEREOF 」
has been applied Utility Patent and patented as TW500953 、 CN103725196A.
 - (6) 「 APPARATUS FOR REMOVING FLUORIDE FROM WASTEWATER 」
has been applied Utility Patent and patented as TW502684 、 CN 204702589U.
 - (7) 「 APPARATUS FOR REMOVING POLLUTANTS FROM WASTEWATER 」
has been applied Utility Patent and patented as TW502685.
 - (8) 「 APPARATUS FOR REMOVING POLLUTANTS FROM WASTEWATER 」
has been applied Utility Patent and patented as CN204508920U.
 - (9) 「 METHOD FOR MANUFACTURING POROUS SOLID-STATE

- MATERIAL」
has been applied Utility Patent and patented as TW515244、CN 104888538A.
- (10) 「VOLATILE WASTEWATER TREATMENT SYSTEM」
has been applied Utility Patent and patented as TW535228、CN 205676189U.
- (11) 「CHARGED PARTICLE TREATMENT SYSTEM」
has been applied Utility Patent and patented as TW543872、CN 206915819U.
- (12) 「WASTE LIQUID TREATMENT APPARATUS」
has been applied Utility Patent and patented as TW569753.
- (13) 「RECYCLING APPARATUS FOR COPPER-CONTAINING WASTEWATER」
has been applied Utility Patent and patented as TW569755.
- (14) 「AMMONIUM-CONTAINING WASTEWATER TREATMENT APPARATUS」
has been applied Utility Patent and patented as TW569756.
- (15) 「APPARATUS FOR TREATING FLUORIDE-CONTAINING WASTEWATER」
has been applied Utility Patent and patented as TW570311.
- (16) 「APPARATUS FOR HYDROGEN PEROXIDE DEGRADATION IN CARO'S ACID」
has been applied Utility Patent and patented as TW570526.
- (17) 「ORGANIC SLUDGE DEWATERING APPARATUS」
has been applied Utility Patent and patented as TW572369.
- (18) 「ORGANIC SLUDGE CONDITIONING CHEMICALS AND THE SLUDGE DEWATERING APPROACH APPLYING THE ORGANIC SLUDGE CONDITIONING CHEMICALS」
has been applied Utility Patent and patented as TW666174.
- (19) 「NITRIC ACID WASTEWATER TREATMENT APPARATUS」
has been applied Utility Patent and patented as TW585172.
- (20) 「Treatment apparatus for organic wastewater containing isopropyl alcohol」
has been applied Utility Patent and patented as TW585263.
- (21) 「Exhaust gas treatment apparatus」
has been applied Utility Patent and patented as TW588019.

(IV) Long and short-term business development plan :

1. Short-term :

- (1) Launch the product manager system and set up offshore locations to integrate business and product development information, strengthen growth in Mainland China and apply Taiwan's experience in developing semiconductor materials in the Mainland China markets. Partner with clients for R&D activities, and together with the supplier the Company takes part in the proofing and design of customers' new products to understand the direction of customers' new product. It is also to increase customers reliance on the Group and expand the scope of our business through collaborating with system suppliers.
- (2) Foundry Service: assist IC design houses in Mainland China to source suitable OEM technology to accelerate product launch. Our business model has been trusted by our upstream and downstream customers and the plan is increase the scope of our service.
- (3) Consolidate warehouse and logistic businesses and set up hazardous chemical

- fleet to achieve cost structure advantage.
- (4) Using the success in Taiwan, the Company introduced advanced treatment technology and products such as ammonia/nitrogen wastewater treatment, embedded bio-carriers; zero discharge and environmental protection chemicals into to Mainland Chinese market. At the same time, we partnered with waste management service providers to promote Grade A waste management services in sludge and solvent cleaning and disposal.
 - (5) Recruit a diverse array of talents to join our new business development.
2. Long-term :
- (1) Grow target customers and devote resources to highly competitive and forward markets including the Mainland Chinese market. Actively pursue the R&D of new products and new product agency opportunities to improve our business efficiency.
 - (2) Secure product agency agreements to expand the sales market and enhance the integration of the semiconductor and quartz related enterprises.
 - (3) Establish designated unit to be responsible for evaluating and introducing key 5G materials, 3D printing and third-generation semiconductor materials. Seek suitable partners for strategic alliance and partnership.
 - (4) Consolidate advanced environmental engineering technology, aggressively explore the South-East Asian market and clients and research, and develop in-house related equipment, materials, and chemicals to provide total solutions. Adopt different business models including BOT, BOO, ROT and OT.
 - (5) Leverage on the Group's business advantages, and core capabilities accumulated over the years, engage in multi-faceted management by promoting new businesses including food, tourism, sport hospitality and biotechnology with the core focus on health and living.

II 、 Market and distribution summary

(I) Market analysis

1 、 Sale of main product (services) and (locations)

The Group is primarily the agent for distributing semiconductor, photoelectric and electronic products to offer integrated services. We also provide services for planning, design, installation, and repair of eco-friendly plant engineering system. Domestic semiconductor, photoelectric and information and electronic businesses are our primary customers.

2 、 Market share :

(1) Resist used in IC process:

Given that nanotechnology is becoming the leading technology for IC manufacturing processes, demand for ArF/KrF photoresists required for the lithography process also saw a significant increase. Foreign suppliers including Shin-Etsu Chemical Co., Ltd., TOK, JSR, and DOW Chemical compete with the company for the local market. In terms of the overall market share, the Group is the distribution agent for the products manufactured by Shin-Etsu Chemical. Being the leader in technology and owing to the premium quality of the products, these products occupy a prominent place in the advanced lithography processes, maintaining at least 50% of the market share in Taiwan. Following the development of advanced processes, advanced materials required for the EUV process was successfully launched for mass production, which we expect to generate further sales growth.

(2) Wafer materials:

Shin-Etsu Handotai is also the main supplier of wafer materials for the global

market, with approximately 30% market share. The Group is a distributor of the full range of products manufactured by Shin-Etsu Handotai to serve the IC manufacturers locally and in Mainland China.

(3) Quartz equipment used by foundries:

The Company and Japanese-based Shin-Etsu Quartz Inc. entered into a joint venture to set up the Topco Quartz Products Co., Ltd., which owns the best clean rooms for specialized processing. The manufacturing capability and professional team of Topco Quartz Products are highly regarded by our clients. Topco Quartz Products also has the advantage of having access to the Group's global production capacity and technical support. Ltd., making it the top supplier of quartz equipment in the local market and the leader in the supply of quartz materials. It occupied a 61% market share in Taiwan's quartz market in 2019.

3、The market's future supply and demand and growth：

(1) Semiconductor industry

The US-China trade war showed signs of easing, but the Covid-19 pandemic had impacted the global supply chain and the impetus for global economic growth. If the pandemic can be resolved before the end of June, strong growth in the semiconductor industry in the second half of 2020 remains hopeful. Taiwan's IC production turnover for 2020 is projected to reach NT\$2,774.2 billion, representing a growth of 4.1% against 2019.

Domestic IC Industry Production from 2019 to 2020 Unit: NT\$ billion

Item	2019		2020(e)	
	Production	Annual Growth	Production	Annual Growth
IC design	6,928	8.0%	7,227	4.3%
IC manufacturing	14,721	-0.9%	15,285	3.8%
Foundry	13,125	2.1%	13,649	4.0%
Memory manufacturing	1,596	-20.4%	1,636	2.5%
IC packaging	3,463	0.5%	3,590	3.7%
IC testing	1,544	4.0%	1,640	6.2%
IC Industry Production	26,656	1.7%	27,742	4.1%

Data source: IEK, ITRI (2020/02)

New applications used in emerging technology such as AI, 5G wireless communication, Internet of Things (IoT), smart mechanics, Internet of vehicles, image sensor, bio identification and border algorithm will boost the demand for semiconductor products and allowing the semiconductor industry to continue enjoying growth.

Development in the global semiconductor market takes three primary directions: increase in variety, reduction in size and heterogeneous integration of IC chips. The talked about topics for increase in chip variety include: IoT, Touch IC, Driver IC, PMIC and sensor; while popular discussions on reduction of chip size include emerging materials such as Graphene and carbon nanotubes and new technology such as silicon photonics and quantum computer. Discussions on heterogeneous integration of chip systems include integration of heterogenous chips through TSV 3D IC and FOWLP/PLWLP system-grade packaging, 3D Flash and next-gen embedded memory.

(2) LED industry

We hope to see cross-industry alliances of lighting manufacturers to mutually create business opportunities. At present, we can see markets in smart lighting for buildings, artificial lighting, plant lighting, marine lighting, sport stadium

lighting and special lighting.

(3) LCD industry

The outlook for 2020 in the handset, TV, PC/notebook markets is lacking momentum due to the US-China trade war. It is anticipated that the panel industry will continue to experience oversupply. The future Micro LED, QLED and OLED panel related technology will continue to improve. The next-gen panels will continue to progress in high resolution, wide color gamut and soft display. The 5G panels integrate smart display and emerging applications and we will see the use in car display, headset display, digital board, and smart home etc.

(4) Eco-friendly plant systems

Regulations in Taiwan governing industrial wastewater discharge are becoming increasingly stringent, which will give rise the demand for environmental protection engineering systems for existing and expanded semiconductor and photoelectric plant such as ammonia and nitrogen wastewater treatment and water recycling/zero discharge systems.

Due to the Covid-19 pandemic, material supply, manpower and transportation issues in China impacted the resumption of businesses after the Chinese New Year. We will continue to observe the impact of the pandemic on the Thirteenth Five-Year Plan that aims to support the semiconductor industry. Taiwan Sugar Corp. will commence the tender in 2020 for building smart, green pig farms. This expects to set the trend of rebuilding local pig farms and inject new opportunities for biogas power generation, odor improvement, wastewater engineering and equipment etc.

4、Competitive niche

(1) High-quality photoresists meet demand of advanced processes

Given the advancement in foundry processes, we saw the demand for higher quality photo-resists product, such as the requirement of higher resolution. This in turn boosts the size of the photoresist market. The biggest benefactor of this latest market development is the Shin-Etsu Group which is committed to developing superior products that offer quality and stability. The Group has a solid, long-term product agency agreement with the Shin-Etsu Group that offers customers with the most stable, reliable, and premium photoresist products and leading-edge technical support. We also have a good grasp of customer needs to shorten the delivery lead time.

(2) Total solutions for advanced processes

Albeit the order volume in the smart phone market is flattening, we continue to see increases in the volume of chip usage thanks to the introduction of new functionalities such as double lens, full-screen design, 3D sensing, wireless charger for smart phones. In addition, application in AI, virtual reality, car electronics saw rapid growth which directly contributed to the rapid growth of advanced processes and wafers. The Group is the distributor for products for 12-inch wafers and essential materials used in advanced processes such as photoresist, quartz equipment, grinding liquid and FOUP, thus we are able to offer local foundries that manufacture 12-inch wafers total solutions.

(3) Experience in equipment integration engineering services and trusted brand in the domestic market

The Group is highly experienced in the installation, disassembling and moving of equipment used in semiconductor / TFT-LCD processes. We offer the most comprehensive technical support and provides customized and total services to meet customers' needs from finding the required machinery and parts to repair

and maintenance of the equipment. Our customers trust us deeply owing to our capability in offering comprehensive planning and total services.

- (4) Business development in Mainland China in line with China's policy on the semiconductor industry to closely monitor demand by the Chinese market: Announcement of the Outline of the Program for the National Integrated Circuit Industry by the Chinese government and investments in the national integrated circuit industry served as the catalyst for the growing number of new semiconductor plants being built and advancement in the process technology. China executed "Made in China 2025", a strategic plan with government funding and resources to grow the semiconductor industry. In the Thirteenth Five-Year Plan it clearly outlines the goal to locally supply 40% of its IC demand by 2020 and 50% by 2025. Following an increasing number of 12-inch wafer fabs coming into being in China, the Group's sales has also been on a gradual upward trend. Although the semiconductor plants are sparsely distributed, the Group has competitive advantages over other suppliers who only single products/services given the diversity in our products and services which include the materials and equipment, plant management and environmental protection engineering services required for the full production line.

5、Favorable and unfavorable factors for long-term growth and counter measures.

(1) Favorable factors :

- a. The Group's suppliers of products we distribute as an agent are reputable leading local and offshore manufacturers that are in long-term partnership with us. They offer products with superior quality and are reliable in supply of goods. There was an increase in weighting of revenue from advanced processes of major semiconductor firms. The continued growth in the semiconductor industry will also aid the manufacturing of semiconductor related materials under the joint investment of the Company and the Shin-Etsu Group, therefore affirming the partnership and product/technical support capabilities.
- b. The government's stimulus plan to boost domestic demand and the promulgation of environmental protection laws are beneficial in the development and growth of environmental protection engineering businesses. We hope to leverage on our past experience to grow business in the related fields.
- c. Our maintenance team is equipped with many years of experience and is deeply trusted by our customers. The repair and maintenance staff has stationed at the various plants in the long term. We have a wide-spread distribution network in the related fields (environmental engineering and materials). The latest updates in the various manufacturing plants and news on expansion are easily attainable.
- d. Expand our businesses to the Mainland Chinese market using our professional knowledge and services gained in Taiwan's semiconductor industry to recreate another success story.

(2) Unfavorable factors :

- a. Concentration of revenue from semiconductor and photoelectric materials/equipment, which are susceptible to economic fluctuations. Especially notable are the uncertainties brought upon by the Covid-19 pandemic and the US-China trade war as well as exchange rate fluctuations.
- b. With the high-tech market being the core of our business operation, the

- speed in product development and pricing are restricted by the suppliers.
- c. Lack of talent required for development of new enterprises, new business models and the consumer market.

(3) Counter measures :

- a. Increase added value: proactively improve the level of technical support, and closely connect with upstream and downstream industries to elevate the Group's added value to the supply chain. Committed to the goal of becoming a "Leader in Total Solutions".
- b. Diversify risks: Other than continuing our partnership with suppliers of our primary products, we also worked at expanding the product line and type of services, investing in several product markets that have the potential to grow to effectively diverse risks and fully meet customer demands.
- c. Consolidate offshore sale and product management: implement the product manager system and consolidate the technology and talents in Taiwan and China to further enhance our market developments in the South-East Asian market. Expand the market scale and offer customers the most timely and comprehensive products and services. Ensure the most effective use of resources to maximize the Group's profitability.
- d. Research and develop environmental protection treatment technology: in response to the impending controls to be imposed on wastewater discharge, the Company set up a R&D unit dedicated to the R&D of related treatment process and technology such as ammonia/nitrogen wastewater treatment, zero discharge technology and in-house developed treatment chemicals, and has been growing the business in China.
- e. Improve efficiency and consolidate resources: in an effort to improve profitability, the Group not only develops new products and distribute products with high margins but also stringently implementing the ISO 9001 quality control system and conducting customer satisfaction survey. We differentiate ourselves from our competitors by offering superior services. The Group also places high importance in employee training and computerizes the management of our operations to improve work efficiency. We also consolidate the use of resources to reduce cost of operation.
- f. Recruit professional talents in related areas to actively grow new businesses.

(II) Major applications and production process of primary products.

1. Major applications of primary products :

(1) Semiconductor product

Product Type	Purpose
Photoresist	A type of photosensitive material in photolithography, the primary purpose of which is to transfer the image on the reticle to the wafer. The TFR is suitable for microelectromechanical process and wafer-grade packaging.
Wafer	Key raw materials used by semiconductor firms to manufacture the IC.
Quartz equipment required for foundry process	Equipment used in foundry processes, such as quartz furnace, quartz boat, quartz container etc.
Various types of packaging materials (including liquid packaging materials)	Epoxy resin is a type of high molecule heat resistant material with primary use in the packaging of IC and passive components. It is used to protect the internal chip from environmental damage while at the same provides

Product Type	Purpose
	effective insulation and heat ventilation.
JCR, Polyimide	Used for coating the chips to protect the electronics, provide insulation and moisture resistance; prevent mechanical impact or exposure to pollutants.
Blanks	Basic materials to manufacture the reticle the function of which is similar to the negatives of photos. It transfers and prints the image on the wafer.
Pellicle	Used to prevent foreign particles from attached to the reticle that result in flaws in the lithography process.
CMP Slurry	Used in semiconductor CMP Oxide/Poly/W/Cu/Barrier/Nitride processes to achieve the best smoothing requirement.
FOUP	Used in 12-inch wafer fab to carry the wafer. Container used for transporting and protecting the products.
FOSB	Container used to transport the 12-inch wafer between the protection plant and the manufacturing plant.
Chemicals and special gas	Used in semiconductor processes including CVD, etching, clean etc.

(2) LED/LCD/Electronic Equipment & Materials

Product Type	Purpose
OSRAM LED	Car and general lighting, iris recognition, distance interrupter, annunciator, torch, handset LCD black light, large LCD black light, outdoor large screen display.
Insulating coating/ conducting coating	Insulating coating is a highly pure insulating materials used in semiconductor IC packaging. The conducting coating is used in the external/internal electrode of chip inductors; Electrical insulating grease is used for insulating the chip resistance.
Conducting materials, silicon conduct rubber, heat seal, IC, silicon rubber for IC testing	Suitable for use in LCD monitor, PCB/FPC or between TAB as a conducting material; hot-pressing of LCM and conductive substrate; silicon rubber used for IC testing is used in fine pitch, high frequency, and high i/o IC
CO2 automatic fire extinguishing system	Primarily used in chemical supply stations and acid tab, acid supply system, waste liquid/solvent cabinets etc. Used in closed machinery, facility or room that contain organic solvents to reduce pollution and maintain cleanliness after fire is extinguished.
UV water disinfection system	Use UV ray to kill bacteria in the water to prevent the quality of the process from being affected by over multiplication of bacteria. Can be used for cleaning the utility tubes and tank for semiconductor and panel manufacturing.
Equipment repair, maintenance, and installation	Provide installation, repair and maintenance services and technical support for equipment used in LCD/semiconductor processes

(3) Eco-friendly engineering and plant system

Type of Work	Scope of Application
Wastewater treatment and recycle	Adopt the most economically viable environmental protection technology to apply and research and develop suitable pollution control equipment. The system

Type of Work	Scope of Application
	performs oxidation, restoration, coagulation and flocculation and then precipitate or filter the pollutants in the wastewater. Other than meeting the EPA's discharge standard, the treated wastewater can be recycled. Suitable for use in the wastewater treatment of semiconductor and LCD industries.
Ammonia and nitrogen wastewater treatment system	Treatment and recycling of wastewater that contains nitrogen produced by the foundry, semiconductor, and photoelectric processes to meet regulatory requirements for discharge and reduce the harm of polluting the environment.
Clean room construction	Ensure the cleanliness, moisture level, vibration, flexibility, safety, disaster prevention and energy conservation of the manufacturing environment of semiconductor and photoelectric firms.
Pure water treatment	Supply high-quality pure water for the semiconductor, LCD, and biotech industries.
Environmental protection chemicals	Provide chemical products specifically conditioned for individual customers to treat the industrial wastewater produced by semiconductor and LCD processes to improve the efficiency of the wastewater treatment system and reduce the need to build systems and cost of operation.
Calcium fluoride sludge	Solve the problem of having to treat the calcium fluoride sludge and instead recycle the sludge for reuse by manufacturing it into artificial fluorite for use in the steel industry as flux to reduce energy demand and the cost of treating/disposing of wastes.

(4) Solar energy

Type of Product	Scope of Application
Solar power station	Integrate solar energy engineering services. Offer on-site inspection and measurement, planning and design, installation, test run and testing, repair/maintenance, and warranties as well as rebate application; develop solar energy power generation infrastructure, offer power station repair and maintenance services and power station surveillance system services.
Diamond wire	Solar energy silicon ingot and sapphire ingot slicing/dicing process
Quartz crucible	Crystallization process used in solar energy

2. Production processes of main products : Not applicable.(non-manufacturing industry)

(III) State of supply of main raw materials: Not applicable.(non-manufacturing industry).

(IV) Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales.

1、Major suppliers' information

Unit : NT\$ thousands

Item	2018				2019				As of Mar.31,2020			
	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer	Name	Amount	As a percentage of total purchase (%)	Relationship with issuer
1	Supplier A	8,994,623	37.37	None	Supplier A	11,064,925	41.03	None	Supplier A	3,004,801	43.6	None
2	Supplier B	5,331,194	22.15	None	Supplier B	5,706,128	21.16	None	Supplier B	1,599,911	23.3	None
	Other	9,742,161	40.48	-	Other	10,195,584	37.81	-	Other	2,275,854	33.1	-
	Net purchase	24,067,978	100	-	Net purchase	26,966,637	100	-	Net purchase	6,880,566	100	-

Note : List the names and procurement amounts and percentages of suppliers whose procurement accounted for more than 10% of the total procurement in the last two years.

Reasons for changes : Strong growth in the semiconductor industry.

2、Major customers' information

Unit : NT\$ thousands

Item	2018				2019				As of Mar.31,2020			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	Client A	5,785,255	20.05	None	Client A	6,943,837	21.9	None	Client A	2,071,017	23.6	None
	Other	23,075,944	79.95	-	Other	24,756,679	78.1	-	Other	6,718,835	76.4	-
	Net Sales	28,861,199	100	-	Net Sales	31,700,516		-	Net Sales	8,789,852	100	-

Note : List the names and sales amounts and percentages of customers that accounted for more than 10% of the total sales in the last two years.

Reasons for changes : None

(V) Output volume and value during the most recent two years Not applicable.(non-manufacturing industry).

(VI) Sales volume and value during most recent two years :

There are many kinds of products with different quantity units. The following only lists the sales value of main products.

Unit : NT\$ thousands

Year	2018				2019			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Semiconductor Related Products	-	12,328,531	-	9,755,534	-	14,267,699	-	10,797,942
LED/LCD/Electronics Applications Related Materials	-	1,901,228	-	425,926	-	1,821,413	-	437,924
Environmental Engineering and Facility Systems	-	898,530	-	3,133,195	-	1,150,137	-	2,725,901
Solar Related Materials	-	146,278	-	0	-	208,551	-	0
Other	-	271,881	-	96	-	290,949	-	0
Total	-	15,546,448	-	13,314,751	-	17,738,749	-	13,961,767

III 、 Employee Information

Year		2018	2019	As of Apr.30,2020
No. of Employee	Sales and marketing	268	310	317
	Engineering and technical	339	359	359
	Staff	518	529	493
	Total	1125	1198	1169
Average age		36.9	37.52	37.9
Average seniority		4.85	5.10	5.32
Academy ratio	Ph.D	0.98%	1.01%	1.02%
	Master	21.24%	19.87%	20.79%
	College	60.35%	62.52%	62.96%
	Senior High School	16.89%	15.10%	13.43%
	Senior High School or below	0.54%	1.50%	1.80%

IV 、 Environmental Protection Expenditure

The Company's primary business activities are the export/import, sale, and agency distribution (including electronics, electrical machinery, high-tech products, pure water, wastewater treatment equipment and cosmetics) of the various types of products. As such, the disclosure of environmental protection expenditure is not applicable. In response to the Restriction of Hazardous Substances promulgated by the European Union, the Company is a non-manufacturing firm and is only a distributor of products therefore our business operations do not fall under the scope of the RoHS, which are not directly applicable at present.

V 、 Labor Relations

(I) List of the Company's employee benefits, further education, training, and pension policy and its implementation status as well as labor agreements and measures for protecting employee rights and interests :

1. The Company's employees have the basic benefits covered under the Labor Standard Act and in addition group insurance covers, regular health check-ups, subsidy for further education and training, performance bonuses and employee accommodation for females or employees on secondment. The Company also offers employees flexible working hours to assist them achieve work-life balance and mental and physical wellbeing. A dedicated employee welfare committee handles all affairs associated with employee benefits and subsidized company events such as the various social club activities, company trips, family day events, health talks, entertainment, art, and culture events. The committee also handles cash gifts for weddings, childbirth and funerals and gift vouchers for birthdays.
2. The Company has put in place the relevant educational training policies and a comprehensive employee training plan under a learning passport system to enhance employees' competency. We offer employees general knowledge training to foster employees' skills in management, sales, marketing and general skills through internal training courses and the e-learning and knowledge management platform so that employees are trained across the board of general knowledge and concepts. External professional development training on the other hand elevates employees' professional skills. We also introduced an external digital learning platform to offer a

more diverse self-learning path to improve the effectiveness of employees' studying of professional and general knowledge courses. The Company offers subsidies to encourage our management staff to Enrol in EMBA training at the leading universities to foster managerial personnel.

3. The Company has established the "Employee Pension Plan" and makes monthly contributions equivalent to a fixed percentage of an employee's total salary to the pension fund. The "Labor Pension Act" came into effect on 1 July, 2005 applies to employees who chose to be covered under the new pension system under which contributions are made to a pension fund. The Company also offers bereavement compensation in accordance with the company's bereavement policy to surviving spouse and families of an employee who deceased due to illness or accident.
4. The Company places high emphasis on the harmony of labor relations and offers very smooth communication channels for employee related communications. Other than regularly convening the "labor relations meetings", employees have the option of giving timely feedback and report issues through the weekly bulletin system. The Company also organizes regular staff bonding camp and employee forums to foster staff consensus building and communications. Internal e-Newsletter the Topco Family also give employees information on the Company's latest updates and events.

(II) Losses arising as a result of labor disputes in the recent year up until the publication date of this annual report and disclosure of potential current and future losses and countermeasures :

There were no labor disputes in the most recent year and up to the publication date of the Annual Report. The Company maintains harmonious labor and management relations. Neither has the Company suffered any loss as a result of labor disputes in the past nor does the Company expect to suffer the aforesaid loss in the future.

VI · Material Contracts

NATURE OF CONTRACT	COUNTERPARTY	TERM	SUBJECT	RESTRICTION
DISTRIBUTORSHIP AGREEMENT	SHIN-ETSU CHEMICAL CO., LTD.	Effective as of 1999 with an automatic renewal term	Product distributor	Confidentiality
SALES REPRESENTATIVE AGREEMENT	SHIN-ETSU HANDOTAI TAIWAN CO., LTD.	Effective until terminated	Sales representative	Confidentiality
DISTRIBUTORSHIP AGREEMENT	SHIN-ETSU QUARTZ PRODUCTS CO., LTD.	Effective as of 2010 with an automatic renewal term	Product distributor	Confidentiality
DISTRIBUTORSHIP AGREEMENT	SHIN-ETSU OPTO ELECTRONIC CO., LTD.	Effective as of 1999 with an automatic renewal term	Product distributor	Confidentiality
DISTRIBUTORSHIP AGREEMENT	SHIN-ETSU POLYMER CO., LTD.	Effective as of 2001 with an automatic renewal term	Product distributor	Confidentiality
DISTRIBUTORSHIP AGREEMENT	TRI CHEMICAL LABORATORIES INC.	Effective as of 2014 until terminated	Product distributor	Confidentiality
SALES REPRESENTATIVE AGREEMENT	MIMASU SEMICONDUCTOR INDUSTRY CO., LTD.	Effective as of 1998 with an automatic renewal term	Product distributor and Sales representative	Confidentiality
DISTRIBUTORSHIP AGREEMENT	NAMICS CORPORATION · NAMICS TAIWAN CO., LTD.	Effective as of 2011 with an automatic renewal term	Product distributor	Confidentiality
DISTRIBUTORSHIP AGREEMENT	FUJIMI INCORPORATED	Effective as of 2007 with an automatic renewal term	Product distributor	Confidentiality

DISTRIBUTORSHIP AGREEMENT	OSRAM OPTO SEMICONDUCTORS (TAIWAN) LTD.	2018~2023	Product distributor	Confidentiality
DISTRIBUTORSHIP AGREEMENT	SEKISUI CHEMICAL(TAIWAN) CO., LTD.	Effective as of 2009 with an automatic renewal term	Product distributor	Confidentiality

Chapter 6 Financial Highlights

I. Condensed Balance Sheet and Statement of Comprehensive Income for the most recent five years

(I) International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit : NT\$ thousands

Item	Year	Financial data for the most recent five years					As of Mar.31,2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		7,176,411	8,610,467	9,804,510	11,445,655	12,931,640	12,977,939
Property, plant and equipment (Note 2)		2,633,068	3,136,166	3,397,359	3,526,931	3,521,162	3,507,477
Right-of-use assets		-	-	-	-	376,108	386,218
Intangible assets		-	63,064	63,518	62,769	126,075	119,491
Other assets		1,418,796	1,462,685	1,603,595	2,202,050	2,684,519	2,544,440
Total assets		11,228,275	13,272,382	14,868,982	17,237,405	19,639,504	19,535,565
Current liabilities	Before distribution	4,646,252	6,084,355	6,463,519	7,740,245	8,736,164	9,625,996
	After distribution	5,280,574	6,913,853	7,226,657	8,703,253	9,917,211	-
Non-current liabilities		640,442	783,150	824,896	910,592	1,372,226	1,346,407
Total liabilities	Before distribution	5,286,694	6,867,505	7,288,415	8,650,837	10,108,390	10,972,403
	After distribution	5,921,016	7,697,003	8,051,553	9,613,845	11,289,437	-
Equity attributable to owners of parent		5,932,512	6,395,043	7,571,629	8,560,969	9,512,214	8,545,336
Capital		1,626,467	1,658,996	1,816,996	1,816,996	1,816,996	1,816,996
Capital surplus		1,464,034	1,464,057	2,340,746	2,340,679	2,340,676	2,340,676
Retained earnings	Before distribution	2,776,716	3,300,841	3,453,037	4,164,150	4,917,348	4,192,075
	After distribution	2,109,865	2,471,343	2,689,899	3,201,142	3,736,301	-
Other equity		65,295	(28,851)	(39,150)	239,144	437,194	195,589
Treasury stock		-	-	-	-	-	-
Non-controlling interests		9,069	9,834	8,938	25,599	18,900	17,826
Total equity	Before distribution	5,941,581	6,404,877	7,580,567	8,586,568	9,531,114	8,563,162
	After distribution	5,307,259	5,575,379	6,817,429	7,623,560	8,350,067	-

Note 1: The financial data for Mar.31,2019 has been audited and attested by CPAs.

Note 2: No assets were reappraised in the years above.

Note 3: The 2019 earnings distribution was approved by Board Meeting on Mar 27,2020.

Condensed Consolidated Statement of Comprehensive Income

Unit : NT\$ thousands

Item \ Year	Financial data for the most recent five years					As of Mar.31,2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenues	19,078,870	22,629,436	23,781,012	28,861,199	31,700,516	8,789,852
Gross profit	2,436,355	2,918,434	2,937,307	3,403,262	3,919,105	1,044,469
Operating income	1,068,393	1,362,051	1,213,786	1,520,415	1,845,363	500,551
Non-operating income and expenses	145,375	144,738	104,419	274,562	362,836	106,870
profit before tax	1,213,768	1,506,789	1,318,205	1,794,977	2,208,199	607,421
Profit from continuing operations for the year	1,213,768	1,506,789	1,318,205	1,794,977	2,208,199	607,421
Losses from discontinued operations	-	-	-	-	-	-
Profit for the year	959,461	1,204,271	998,706	1,381,588	1,716,953	454,700
Other comprehensive income (loss), net of taxes	(3,397)	(106,393)	(26,003)	4,580	191,956	(241,605)
Total comprehensive income (loss) for the year	956,064	1,097,878	972,703	1,386,168	1,908,909	213,095
Net profit attributable to parent company shareholders	958,221	1,203,347	997,625	1,404,675	1,722,308	455,774
Profit attributable to non-controlling interests	1,240	924	1,081	(23,087)	(5,355)	(1,074)
Comprehensive Income (Loss) Attributable to Owners of the Parent	954,824	1,096,954	971,622	1,409,255	1,914,264	214,169
Total comprehensive income (loss) attributable to non-controlling interests	1,240	924	1,081	(23,087)	(5,355)	(1,074)
Earnings per Share	5.78	7.25	5.98	7.73	9.48	2.51

Note 1: The financial data for Mar.31,2019 has been audited and attested by CPAs.

Condensed Balance Sheet

Unit : NT\$ thousands

Item	Year	Financial data for the most recent five years					As of Mar.31,2020
		2015	2016	2017	2018	2019	
Current assets		3,403,696	4,214,802	4,725,212	4,684,748	5,925,384	None
Property, plant and equipment (Note 1)		1,595,347	2,107,853	1,581,881	1,644,721	2,386,776	
Right-of-use assets		-	-	-	-	102,054	
Intangible assets		-	-	737,646	728,382	-	
Other assets (Note 1)		3,433,103	4,054,375	4,330,400	5,335,886	6,335,807	
Total assets		8,432,146	10,377,030	11,375,139	12,393,737	14,750,021	
Current liabilities	Before distribution	2,257,699	3,666,450	3,447,838	3,356,092	4,604,880	
	After distribution	2,892,021	4,495,948	4,210,976	4,319,100	5,785,927	
Non-current liabilities		241,935	315,537	355,672	476,676	632,927	
Total liabilities	Before distribution	2,499,634	3,981,987	3,803,510	3,832,768	5,237,807	
	After distribution	3,133,956	4,811,485	4,566,648	4,795,776	6,418,854	
Equity attributable to owners of parent		-	-	-	-	-	
Capital		1,626,467	1,658,996	1,816,996	1,816,996	1,816,996	
Capital surplus		1,464,034	1,464,057	2,340,746	2,340,679	2,340,676	
Retained earnings	Before distribution	2,776,716	3,300,841	3,453,037	4,164,150	4,917,348	
	After distribution	2,109,865	2,471,343	2,689,899	3,201,142	3,736,301	
Other equity		65,295	(28,851)	(39,150)	239,144	437,194	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	5,932,512	6,395,043	7,571,629	8,560,969	9,512,214	
	After distribution	5,298,190	5,565,545	6,808,491	7,597,961	8,331,167	

Note 1:No assets were reappraised in the years above.

Note 2:The 2019 earnings distribution was approved by Board Meeting on Mar 27,2020.

Condensed Statement of Comprehensive Income

Unit : NT\$ thousands

Item \ Year	Financial data for the most recent five years					As of Mar.31,2020
	2015	2016	2017	2018	2019	
Operating revenues	12,248,532	14,382,642	15,208,741	15,882,227	18,836,684	None
Gross profit	1,784,876	1,909,060	2,047,599	2,321,391	2,478,861	
Operating income	899,216	908,016	1,008,626	1,181,184	1,258,501	
Non-operating income and expenses	256,787	490,744	207,874	514,648	793,393	
profit before tax	1,156,003	1,398,760	1,216,500	1,695,832	2,051,894	
Profit from continuing operations for the year	958,221	1,203,347	997,625	1,404,675	1,722,308	
Losses from discontinued operations	-	-	-	-	-	
Profit for the year	958,221	1,203,347	997,625	1,404,675	1,722,308	
Other comprehensive income (loss), net of taxes	(3,397)	(106,393)	(26,003)	4,580	191,956	
Total comprehensive income (loss) for the year	954,824	1,096,954	971,622	1,409,255	1,914,264	
Net profit attributable to parent company shareholders	-	-	-	-	-	
Profit attributable to non-controlling interests	-	-	-	-	-	
Comprehensive Income (Loss) Attributable to Owners of the Parent	-	-	-	-	-	
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	
Earnings per Share	5.78	7.25	5.98	7.73	9.48	

(II) The names of CPA and their opinions for the most recent five years

Year	CPA	Opinion and content
2015	KPMG / Kuan-Ying Kuo & I-Wen Wang	Modified unqualified opinion
2016	KPMG / Yiu-Kwan Au & Kuan-Ying Kuo	Unmodified opinion (Note)
2017	KPMG / Yiu-Kwan Au & Kuan-Ying Kuo	Unmodified opinion (Note)
2018	KPMG / Yiu-Kwan Au & Kuan-Ying Kuo	Unmodified opinion (Note)
2019	KPMG / Yiu-Kwan Au & Szu-Chuan Chien	Unmodified opinion (Note)

II. Financial analysis for the most recent five years

(I) International Financial Reporting Standards - Consolidated Financial Analysis

Item analyzed		Year	Financial analysis for the most recent five years					As of Mar.31,2020
			2015	2016	2017	2018	2019	
Financial structure	Ratio of debts to assets (%)	47.08	51.74	49.02	50.19	51.47	56.17	
	Ratio of long-term capital to property, plant, and equipment (%)	249.98	229.2	247.41	269.28	309.65	282.53	
Solvency	Current ratio (%)	154.46	141.52	151.69	147.87	148.02	134.82	
	Quick ratio (%)	109.59	94.81	110.73	113.26	109.67	104.64	
	Interest coverage ratio	74.68	69.49	53.04	73.54	73.00	75.91	
Operating ability	Receivables turnover rate (times)	6.05	6.47	6.21	5.56	5.34	5.70	
	Average collection days for receivables	60.33	56.41	58.77	65.64	68.35	64.05	
	Inventory turnover rate (times)	9.23	8.24	7.60	8.46	8.16	8.98	
	Payable turnover rate (times)	4.99	5.32	5.20	5.52	5.07	5.46	
	Average days for sales	39.54	44.29	48.02	43.14	44.73	40.64	
	Property, plant and equipment turnover rate (times)	7.34	6.97	6.60	7.03	7.68	8.78	
	Total asset turnover rate (times)	1.61	1.64	1.53	1.52	1.47	1.58	
Profitability	Return on assets (%)	9.01	9.98	7.25	8.73	9.44	9.42	
	Return on equity (%)	16.62	19.51	14.28	17.09	18.95	20.10	
	Ratio of profit before income tax to paid-in capital (%)	74.63	90.83	72.55	98.79	121.53	133.72	
	Profit margin (%)	5.51	5.99	4.63	5.68	6.34	5.89	
	Earnings per share (NT\$)	5.78	7.25	5.98	7.73	9.48	2.51	
Cash flow	Cash flow ratio (%)	15.28	28.49	12.74	14.13	20.12	11.49	
	Cash flow adequacy ratio (%)	-	74.42	68.29	70.55	74.45	83.06	
	Cash flow reinvestment ratio (%)	1.81	14.49	-0.07	3.50	7.43	10.25	
Leveraging	Operating leverage	2.04	1.86	2.05	1.95	1.88	1.85	
	Financial leverage	1.02	1.02	1.02	1.02	1.02	1.02	
<p>Explanations on changes in various financial ratios in the most recent two years :</p> <p>Increase in pre-tax income to paid-in capital ratio, cash flow ratio and cash reinvestment ratio: The increase in profit was mainly driven by higher revenues and increase in profit of associates in 2019. Therefore, an increase in net cash flows from operating activities as compared to last year.</p>								

Note 1: The financial data for the above years has been audited and attested by CPAs.

Note 2: The formulas for financial analysis calculations are as follows:

(1) Financial structure:

- a. Debt to asset ratio = Total Liabilities / Total Assets
- b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

(2) Liquidity:

- a. Current Ratio = Current Assets / Current Liabilities
- b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- c. Time interest earned = net income before income tax and interest expense / current interest expense.

(3) Operating ability:

- a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
- b. Average Collection Days = 365 / Average Collection Turnover
- c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
- d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
- f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- g. Fixed assets turnover ratio = net sales / total average fixed assets.

(4) Profitability:

- a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets
- b. Return on Equity = Net Income / Average Equity
- c. Net profit margin = after-tax profit / net operating income.
- d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

(5) Cash flows:

- a. Cash flow ratio = new cash flows from operating activities / current liabilities.
- b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
- c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).

(6) Leverage:

- a. Operating leverage = (net operating revenue - variable operating cost and expenses) / operating profit.
- b. Financial leverage = operating profit / (operating profit - interest expense).

(II) International Financial Reporting Standards– Parent Company Only Financial Analysis

Item analyzed		Financial analysis for the most recent five years					As of Mar.31,2020
		2015	2016	2017	2018	2019	
Financial structure	Ratio of debts to assets (%)	29.64	38.37	33.44	30.93	35.51	None
	Ratio of long-term capital to property, plant, and equipment (%)	387.03	318.36	341.76	549.49	425.06	
Solvency	Current ratio (%)	150.76	114.96	137.05	139.59	128.68	
	Quick ratio (%)	101.89	73.16	95.12	93.00	92.29	
	Interest coverage ratio	3,579.96	1,134.52	191.47	772.18	456.27	
Operating ability	Receivables turnover rate (times)	6.76	7.25	6.90	6.86	6.80	
	Average collection days for receivables	53.99	50.34	52.89	53.23	53.70	
	Inventory turnover rate (times)	9.36	9.39	8.87	9.05	10.08	
	Payable turnover rate (times)	5.33	5.80	5.55	6.11	6.19	
	Average days for sales	38.99	38.87	41.15	40.32	36.21	
	Property, plant and equipment turnover rate (times)	8.57	7.44	6.31	6.48	7.44	
	Total asset turnover rate (times)	1.39	1.46	1.29	1.28	1.33	
Profitability	Return on assets (%)	11.35	12.81	9.22	11.83	12.72	
	Return on equity (%)	16.67	19.52	14.29	17.41	19.06	
	Ratio of profit before income tax to paid-in capital (%)	71.07	84.31	66.95	93.33	112.93	
	Profit margin (%)	8.16	8.74	6.82	9.24	9.52	
	Earnings per share (NT\$)	5.78	7.25	5.98	7.73	9.48	
Cash flow	Cash flow ratio (%)	29.41	33.32	19.58	27.50	34.35	
	Cash flow adequacy ratio (%)	-	78.64	68.39	64.59	68.82	
	Cash flow reinvestment ratio (%)	1.26	8.53	-1.89	1.85	5.91	
Leveraging	Operating leverage	1.77	1.76	1.70	1.65	1.68	
	Financial leverage	1.00	1.00	1.01	1.00	1.00	
<p>Explanations on changes in various financial ratios in the most recent two years :</p> <p>1、Decrease in times interest earned: The decrease was mainly due to increase in interest expense.</p> <p>2、Increase in Pre-tax income to paid-in capital ratio and EPS: The increase was mainly due to higher revenues.</p> <p>3、Increase in cash flow ratio and cash reinvestment ratio: The increase was mainly due to increase in net cash flows from operating.</p>							

Note 1: The financial data for the above years has been audited and attested by CPAs.

III 、 Supervisors' Review Report for the Most Recent Year

Supervisor's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements and proposal for Earnings Distribution. Consolidated and parent company only Financial Statements have been audited and certified by Au, Yiu Kwan, CPA, and Chien, Szu Chuan, CPA, of KPMG and audit reports relating to the Financial Statements have been issued. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the supervisors. According to Article 219 of the Company Act, we, as the supervisors of TOPCO SCIENTIFIC CO., LTD, hereby submit this report.

TOPCO SCIENTIFIC CO., LTD

Fu-Hsiung, Wang

Supervisor



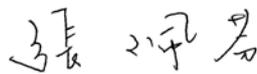
Guang-Jer, Lai

Supervisor



Pei-Fen, Chang

Supervisor



March 27, 2020

IV 、 Financial statements for the most recent year (Page 115)

**V 、 Financial statements of the parent company for the most recent year audited by the CPA
(Page 115)**

**VI 、 The impact of the financial difficulties of the Company and the affiliated companies, if any,
on the Company's financial position in the past year and as of the printing date of the annual
report: None**

Chapter 7 Review and Analysis of Financial Position and Financial Performance, and Risk Management

I - Financial position analysis:

Comparative analysis of financial status

Unit : NT\$ thousands

Item \ Year	2019	2018	Difference	
			Increase (decrease) amount	%
Current assets	12,931,640	11,445,655	1,485,985	13
Non-current financial assets at fair value through profit or loss	111,097	99,081	12,016	12
Non-current financial asset at fair value through other comprehensive income	829,550	581,475	248,075	43
Non-current financial assets at cost	1,529,405	1,305,978	223,427	17
Equity investment	3,521,162	3,526,931	(5,769)	-
Property, plant and equipment	376,108	0	376,108	-
Investment property	126,075	62,769	63,306	101
Other assets	214,467	215,516	(1,049)	-
Total assets	19,639,504	17,237,405	2,402,099	14
Current liabilities	8,736,164	7,740,245	995,919	13
Non-current liabilities	1,372,226	910,592	461,634	51
Total liabilities	10,108,390	8,650,837	1,457,553	17
Capital	1,816,996	1,816,996	-	-
Capital surplus	2,340,676	2,340,679	(3)	-
Retained earnings	4,917,348	4,164,150	753,198	18
Non-controlling interests	456,094	264,743	191,351	72
Total equity	9,531,114	8,586,568	944,546	11
<p>Analysis of items that have major changes:</p> <ol style="list-style-type: none"> Increase in Non-current financial assets at fair value through other comprehensive income and other equity: The increase was mainly due to increase in financial assets at fair value on the application of IFRS 9. Increase in investment property: The increase was mainly due to the purchase of investment property by subsidiary in Singapore. Increase in non-current liabilities: The increase was mainly due to lease liabilities after adopting IFRS 16 Lease starting from 2019. 				

II、Financial performance

(I) Financial performance analysis

Unit : NT\$ thousands

Item	Year		Increase (decrease) amount	Difference %
	2019	2018		
Net revenue	31,700,516	28,861,199	2,839,317	10
Cost of sales	27,781,703	25,458,229	2,323,474	9
Unrealized profit(loss) from sales	292	292	0	0
Net gross margin	3,919,105	3,403,262	515,843	15
Operating expenses	2,073,742	1,882,847	190,895	10
Profit from operations	1,845,363	1,520,415	324,948	21
Non-operating income and expenses	362,836	274,562	88,274	32
Profit from continuing operations before income tax for the year	2,208,199	1,794,977	413,222	23
Income tax expense	491,246	413,389	77,857	19
Profit for the year	1,716,953	1,381,588	335,365	24
Analysis of items that have major changes:				
1. Increase in profit: The increase was mainly driven by higher revenues.				
2. Increase in non-operating income and expenses: The increase was mainly due to increase in profit of associates.				

(II) Expected sales volume and its basis, potential impact on the company's future financial position and business operations, and response plan :

The revenue will continue to grow in 2020 based on the current status of orders receiving.

III、Cash flow

Analysis of changes in cash flow in 2019

Unit : NT\$ thousands

2019 Beginning Cash Balance (A)	Net cash inflow from operating activities (B)	Annual cash outflow (C)	December 31, 2019 Cash Balance (A)+(B)+(C)	Remedial measures for cash deficit	
				Investment plan	Financial plan
2,480,878	1,757,968	(1,105,216)	3,133,630	-	-
1. Analysis of changes in cash flow in 2019 :					
(1) NT\$1.7 billion net cash generated by operating activities: mainly include net income.					
(2) NT\$247 million net cash used in investing activities: primarily for acquisition of property, plant and equipment.					
(3) NT\$791 million net cash used in financing activities: primarily for cash dividend payment.					
(4) Effect of exchange rate changes on cash and cash equivalent: Decrease NT\$66 million.					
2. As a result of positive operating cash flows and cash on-hand, remedial actions are not required.					
3. Liquidity analysis: Current ratio is 148.02% and indicates greater ability to pay debts.					

IV、Effect of major capital spending on financial position and business operations: None.

V · Investment policy in the recent year, main reason of investment gain or loss, improvement plan and future investment plan.

Unit : NT\$ thousands

item name	Investment Gain (Loss)	Business strategy	Main reason of investment gain or loss	Improvement plan	Future investment plan
Topco Quartz Co.,Ltd	315,075	To maintain its better quality than the competitors	Its business and profitability are both stable..	Quality enhancement	Businesses oriented
Fortune Co.,Ltd	33,631	To focus on its waste disposal related businesses	Its business and profitability are both stable.	Efficiency enhancement	Businesses oriented
Yilan Anyong Lohas Co., Ltd.	(71,330)	To make the diamond grade Green bulidng a muti-functional tourism factory (technology, entertainment, culture and delicious food)	The tourists number is still low and with some impact from Covid 19.	Business positioning and tourism sales channel increasing.	Businesses oriented
Anyong Freshmart, INC.	(57,002)	To be the leader of health oriented compound supermarkets	The number of braches doesn't reach the economic scale.	Open new stores and strengthening on-line businesses	Businesses oriented
Anyong Biotechnology, INC.	(53,017)	To emphasize the excellent qulities of the CAS frozen aquatic products	The production volume doesn't reach the economic scale.	To expand its export businesses	Businesses oriented

VI · Analysis of Risk Management :

(I) Impact of interest rate/exchange rate fluctuations and inflation on the Company's profit and loss and future countermeasures :

1. Interest rate fluctuation:

The Company's interest rate risks primarily originate from financial assets and liabilities that are on variable interest rates. Calculated on the basis of the Company's open positions as at 31 December, 2019, an increase/decrease of 0.25% in interest rate will result in an increase/decrease of NT\$ 1,744 thousand in the Company's before tax income on 31 December, 2019.

In an effort to risk interest rate risks, the Company constantly monitors interest rate fluctuations and are in close contact with financial institutions to secure the more favorable interest rates where possible.

2. Exchange rate fluctuation:

The Company's exchange rate risks primarily originate from our business operations, predominantly in the exchange rate fluctuations in USD and JPY. Calculated on the basis of the Company's open positions as at 31 December, 2019, where there was an 5% appreciation/depreciation in the USD and JPY against our main functional currency, the Company's before tax income will decrease/increase by NT\$ 50,277 thousand on 31 December 2019.

In an effort to reduce exchange rate risks, the Company undertakes foreign exchange transactions with the primary purpose of fulfilling the foreign currency requirements

arising from the Company's purchase and sale of goods and does not do so for speculating purposes.

3. Inflation:

The transaction cycle of the Company's business activities is short, and no significant inflation was reported in the domestic or global economy therefore was no significant impact on the Company's profit or loss as a result of inflation.

(II) Policies for high-risk, high-leverage investments, loan to others, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and countermeasures :

1. The company has not engaged in high-risk investments or investments with a high-gearing ratio.
2. Loan to others and endorsements and guarantees provided by the Company to others are handled in accordance with the Company's "Procedures for Loan to Others and Endorsements and Guarantees" . A logbook has been maintained in accordance with regulatory requirements for regular inspection to manage risks.
3. Derivative transactions undertaken by the Company were primarily to hedge against the risks arising from business related foreign currency transactions and are not for speculating purposes.

(III) Research and development (R&D) projects and estimated R&D expenditures:

The Topco Scientific Group will continue our past R&D momentum and devote resources to the R&D of new product and technology. Especially given that explosive growth is expected in the future AI, 5G, electric car and autopilot driving markets, the demand for advancement in the semiconductor and photoelectric process technology will certainly increase as well as the demand for semiconductor and photoelectric products. The Group will develop the corresponding application materials to meet customer demands; and on the other hand, will maintain our commitment to promoting energy thus further invest in the R&D of green technology and technology related the circular economy. Total budget for R&D expenditure for 2020 was NT\$ 103,469 thousand, representing an increase of 34% against 2019.

(IV) Impacts of changes in domestic and foreign government policies and laws on the Company's financial operations, and future countermeasures:

The Company's conducts business in accordance with the relevant laws and regulations, closely monitors the relevant updates and consult with professional agencies and experts for advice. The Company also participates in training, workshops, and seminars to stay on top of updates on important policies to respond with agility to changes.

(V) Impacts of industry and technology changes to the Company's financial operations, and future countermeasures:

The Company has solid finances and offers a wide array of products therefore is sheltered from the impacts of industry and technology changes. The countermeasures taken below are aimed at mitigating risks arising from cyclical fluctuations and improving operating performance:

1. Extensively source industry news, interpret information, judge business fluctuations and industry trends to adjust business strategies in a timely manner.
2. Closely monitor customer requirements and product trends to develop potential products, adding new products to the existing line of products being distributed.

(VI) Impacts of changes in corporate image on the company's crisis management and future Countermeasures:

The Company maintains a sound corporate image. There has been no harmful media report on the Company.

(VII) Expected benefits and potential risks related to mergers and acquisitions: None as there has been no merger or acquisition taken place.

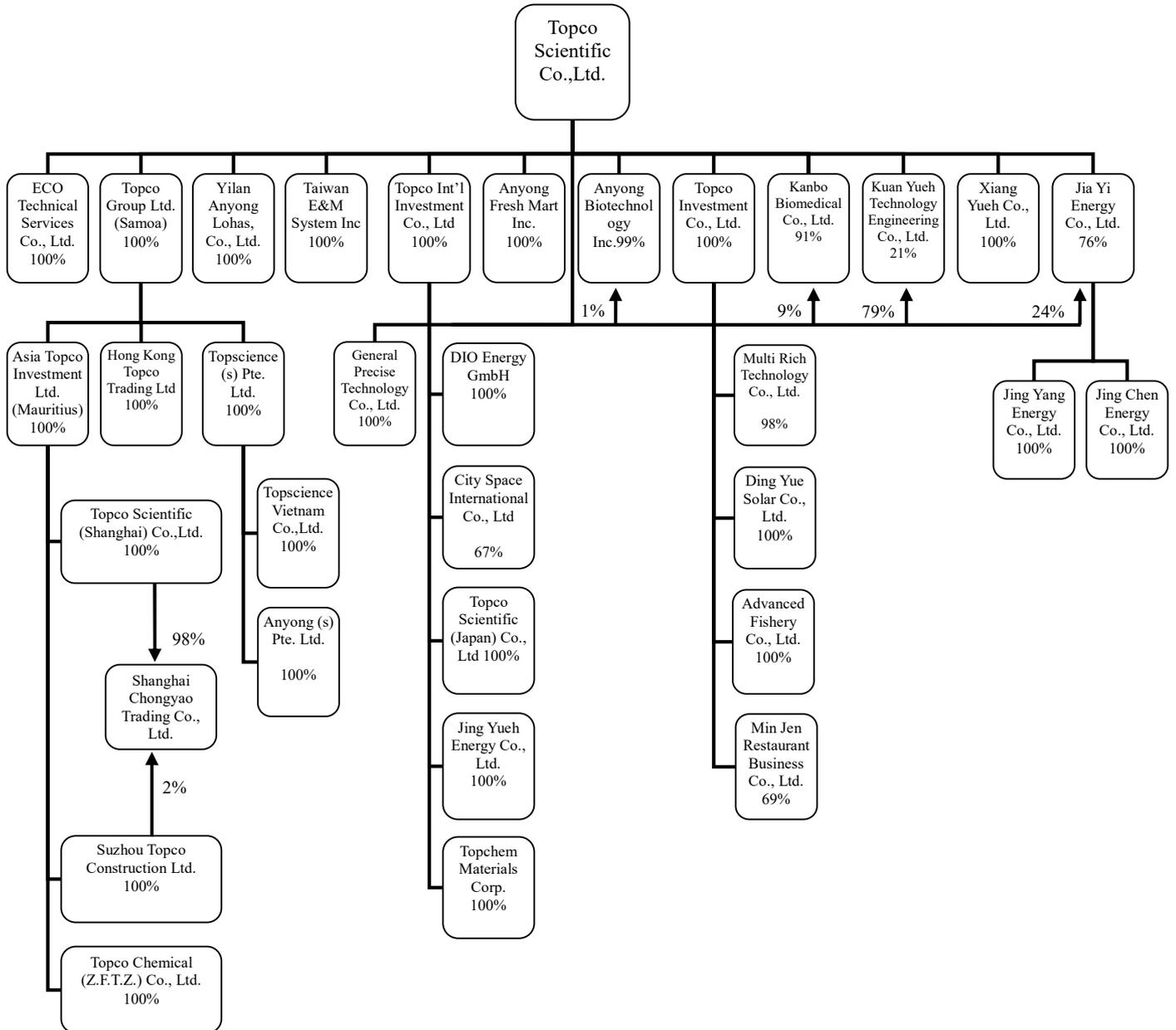
- (VIII) Expected benefits and potential risks of capacity expansion: None as the Company has not expanded its production facility.
- (IX) Risk of procurement and sales concentration, and future countermeasures:
1. Purchase: constantly monitor the inventory level to increase the inventory turnover rate and reduce the risks of inventory buildup. Actively searching for other suppliers to diversify risks associated with concentration of product suppliers.
 2. Sale: maintain sound customer relationship, closely monitor of customer requirements and act proactively to avoid concentration of supply of goods to customers.
- (X) Impacts and risks arising from major transfer or replacement of shares by Directors, Supervisors, or shareholders with over 10% of shares in the Company:
The Company does not have major shareholders who hold a stake of greater than 10 percent. There has been no major transfer of shares owned by any director or supervisor.
- (XI) Impact of change in Company management and associated risks: None.
- (XII) Litigious or non-litigious matters
Any major litigious, non-litigious or administrative disputes that involve the Company and/or any company director, any company supervisor, the managing director, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company and have been concluded by means of a final and unappealable judgment, or are still under litigation, where such a dispute could materially affect shareholders' equity or the prices of the company's securities up until the publication date of the Annual Report: None.
- (XIII) Other significant risks and countermeasures: None.

VII • Other important matters: None

Chapter 8 Special Notes

I. Information about affiliates

(I) Organization chart of affiliates (Dec.31,2019)



(II) Summary of Affiliated Companies

Unit:NT\$(US\$,JPY,RMB,EUR,SGD,VND) thousands
As of Dec.31,2019

Name of Subsidiary	Date of Incorporation	Address	Paid-in Capital	Main Activities
Taiwan E&M System Inc.	11/1/2001	1F, 16, Zhanye 2 nd Rd., Hsinchu Science Park, Hsinchu City, Taiwan	NT\$425,000	Sales of electronic material
Topco International Investment Co., Ltd.	9/9/2005	2F, No. 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$370,000	Investment
Topco Investment Co., Ltd.	9/12/2005	2F, No. 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$210,000	Investment
Topco Scientific(Japan) Co., Ltd.	10/24/2006	TOC Bldg, 7-22-17 Nishi-Gotanda, Shinagawa-Ku, Tokyo, Japan	JPY 50,000	Sales of facilities of semiconductor and clean room
Topco Group Ltd. (Samoa)	3/11/2003	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$15,518	Investment
City Space International Co., Ltd.	12/22/2005	11F-2, No. 6, Sec. 1 XinSheng S. Rd., ZhongZheng Dist., Taipei City, Taiwan	NT\$19,000	Wholesale and sales of cosmetic
Asia Topco Investment Ltd. (Mauritius)	3/20/2003	3rd Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	US\$13,086	Investment
Topscience (S) Pte Ltd.	5/10/1997	140 Paya Lebar Rd, #08-03, AZ@Paya Lebar, Singapore	SGD 500	Sales of parts of semiconductor and optoelectronic industries
Topscience Vietnam Co., Ltd.	6/19/2019	11 th Floor, 14 Lang Ha street, Thanh Cong ward, Ba Dinh dist., Hanoi, Vietnam	US\$250	Sales of parts of semiconductor and optoelectronic industries
Anyong(s) Pte. Ltd.	10/18/2018	140 Paya Lebar Rd, #08-03, AZ@Paya Lebar, Singapore	SGD 0.002	Wholesale of fishery products
Topco Scientific (Shanghai) Co., Ltd.	7/10/2003	D11 3F, No. 231 North Fute Rd., Pilot Free Trade Zone, Shanghai, China	RMB 61,978	Wholesale of semiconductor material and electronic material
Shanghai Chongyao Trading Co., Ltd.	8/22/2012	Room 1002, 10F, Building 5, No. 2388 ChenHang Rd., Minhang Dist., Shanghai City, China	RMB 13,000	Wholesale of semiconductor material and electronic material
Topco Chemical (Z.F.T.Z.) Co., Ltd.	5/5/2017	No. 909-5 Petrochemical Trading Building Zhangjiagang Free Trade Zone, Suzhou, Suzhou City	RMB 3,000	Wholesale and sales of chemical products

Name of Subsidiary	Date of Incorporation	Address	Paid-in Capital	Main Activities
		Jiangsu Province, China		
Hong Kong Topco Trading Limited	10/9/2008	Unit(SH)2,LG 1,Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloonn,Hong Kong	US\$1,500	Wholesale of semiconductor material and electronic material
Suzhou Topco Construction Ltd.	2/24/2005	Room 508, No. 959, JiaYuan Rd., xiangcheng Dist., Suzhou City Jiang Su Province, China	RMB20,786	Water purification and cleanroom construction
ECO Technical Services Co., Ltd.	9/8/2008	4F, No. 483, Sec. 2 Tiding Blvd., Neihu dist., Taipei City, Taiwan	NT\$222,931	Water purification and construction of dust-proof room
Kuan Yueh Technology Engineering Co., Ltd.	10/9/2008	3F-10, No. 12 Fuxing 4 th Rd., Qianghen Dist., Kaohsiung City, Taiwan	NT\$112,133	Development of renewable energy projects
Jia Yi Energy Co., Ltd.	10/13/2008	3F-10, No. 12 Fuxing 4 th Rd., Qianghen Dist., Kaohsiung City, Taiwan	NT\$187,250	Manufacture of machinery and electronic spare parts
Kanbo Biomedical Co., Ltd.	5/25/2010	5F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$10,000	Sales of health food products
Anyong Fresh Mart Inc.	11/9/2012	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$218,000	Wholesale and retail sales of fishery and food products
Anyong Biotechnology Inc.	4/11/2012	No. 10, Nanliao Rd., Mituo dist., Kaohsiung City, Taiwan	NT\$200,000	Aquaculture and strategic partnership with fish processing
Jing Chen Energy Co., Ltd.	1/20/2011	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$70,855	Development of renewable energy projects
Jing Yang Energy Co., Ltd.	5/11/2012	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$63,000	Development of renewable energy projects
DIO Energy Gmbh	8/4/2011	Krugweg 61,32584 Lohne,Germany	EUR 176	Development of renewable energy projects
Topchem Materials Corp.	5/11/2012	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$39,289	Antifouling surface protection, light-blocking material and the manufacture of other chemicals
Multi Rich Technology Co., Ltd.	1/20/1999	3F., No. 28, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan	NT\$21,000	Wholesale of fishery products

Name of Subsidiary	Date of Incorporation	Address	Paid-in Capital	Main Activities
Xiang Yueh Co., Ltd.	5/27/2014	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$6,000	Sports service
Jing Yueh Energy Co., Ltd.	12/8/2014	4F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$75,131	Development of renewable energy projects
Ding Yue Solar Co., Ltd.	9/21/2015	3F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$9,000	Development of renewable energy projects
General Precise Technology Co., Ltd.	7/20/1994	No. 17, Ln 249, Sec. 3, Zhongzheng Rd., Hukou towership, Hsinchu County, Taiwan	NT\$10,000	Process and sales of quartz products
Yilan Anyong Lohas, Co., Ltd.	5/5/2016	No. 415, Sec. 2, zhongshan Rd., Suao Towership, Yilan County, Taiwan	NT\$217,000	Restaurant and retail sales of food products
Advanced Fishery Co., Ltd.	10/14/2016	2F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$12,000	Aquaculture and wholesale of fishery products
Min Jen Restaurant Business Co., Ltd.	7/20/2017	4F, 483, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, Taiwan	NT\$160,000	Restaurant

(III) Shareholders in common of TOPCO and Its subsidiaries with Deemed Control and Subordination: None

(IV) Business scope of the Company and its Affiliated Companies :

Business scope of TOPCO and its affiliates include the trading of electronics products, high technology products and related materials and facilities, pollution prevention equipment, the design and installation of water purification and recycling systems, solar energy materials and providing solar energy system integration services, wholesale of fishery products, retail sales of food products, etc.

(V) Directors, Supervisors, and Presidents of Affiliated Companies :

Unit: Share
As of Dec.31,2019

Name of Business	Title	Name	Share holding	
			Shares	%
Taiwan E&M System Inc	Chairman	TOPCO Scientific Co., Ltd Rep: Simon Tseng	42,500,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Daniel Wu	42,500,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Martin Chang	42,500,000	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	42,500,000	100%
Topco International Investment Co., Ltd	Chairman	TOPCO Scientific Co., Ltd Rep: Charles Lee	37,000,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Simon Tseng	37,000,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: James Wang	37,000,000	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	37,000,000	100%
Topco Investment Co., Ltd	Chairman	TOPCO Scientific Co., Ltd Rep: Joyce Lu	21,000,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Charles Lee	21,000,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Simon Tseng	21,000,000	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	21,000,000	100%
CITY SPACE International Co., Ltd	Chairman	Topco International Investment Co., Ltd Rep: Della Huang	1,266,667	66.67%
	Director	Topco International Investment Co., Ltd Rep: Gianni Chen	1,266,667	66.67%
	Director	Kent Liao	129,251	6.80%
	Supervisor	Chihkai Chang	-	-
TOPCO SCIENTIFIC (Japan) Co., Ltd	Chairman	Topco International Investment Co., Ltd Rep: J.W. Kuo	5,000	100%
	Director	Topco International Investment Co., Ltd Rep: Simon Tseng	5,000	100%
	Director	Topco International Investment Co., Ltd Rep: Johnny Huang	5,000	100%
	Director	HIRATA MITSUHIRO	-	-
	Supervisor	Topco International Investment Co., Ltd Rep: Joyce Lu	5,000	100%

Name of Business	Title	Name	Share holding	
			Shares	%
TOPCO GROUP LTD. (SAMOA)	Director	TOPCO Scientific Co., Ltd Rep: Joyce Lu	15,518,000	100%
TOPSCIENCE (S) PTE LTD	Chairman Director Director	TOPCO GROUP LTD.(SAMOA) Rep: Charles Lee TOPCO GROUP LTD.(SAMOA) Rep: Dennis Chen TOPCO GROUP LTD.(SAMOA) Rep: Daniel Yang	(Note)	100%
Topsience Vietnam Co., Ltd	Chairman Director Director	TOPSCIENCE(S) PTE LTD Rep: Daniel Yang TOPSCIENCE(S) PTE LTD Rep: Reggie Liu TOPSCIENCE(S) PTE LTD Rep: Chris Cheng	(Note)	100%
Anyong(s) Pte. Ltd	Director	TOPSCIENCE(S) PTE LTD Rep: Daniel Yang	(Note)	100%
ASIA TOPCO INVESTMENT LTD. (Mauritius)	Director	TOPCO GROUP LTD.(SAMOA) Rep: Joyce Lu	13,086,000	100%
Topco Scientific (Shanghai) Co., Ltd	Chairman Director Director Supervisor	ASIA TOPCO INVESTMENT LTD Rep: Jeffery Pan ASIA TOPCO INVESTMENT LTD Rep: Charles Lee ASIA TOPCO INVESTMENT LTD Rep: Simon Tseng ASIA TOPCO INVESTMENT LTD Rep: Joyce Lu	(Note)	100%
Shanghai Chongyao Trading Co., Ltd	Chairman Director Director Supervisor	Topco Scientific (Shanghai) Co., Ltd Rep: Jeffery Pan Suzhou Topco Construction Ltd Rep: Steve Tan Topco Scientific (Shanghai) Co., Ltd Rep: Simon Tseng Topco Scientific (Shanghai) Co., Ltd Rep: Eugene Lee	(Note)	100%
Hong Kong Topco Trading Limited	Chairman Director	TOPCO GROUP LTD Rep: Jeffery Pan TOPCO GROUP LTD Rep: Eugene Lee	(Note)	100%

Name of Business	Title	Name	Share holding	
			Shares	%
Topco Suzhou Construction Ltd	Chairman	ASIA TOPCO INVESTMENT LTD	(Note)	100%
	Director	Rep: Jeffery Pan ASIA TOPCO INVESTMENT LTD		
	Director	Rep: James Wang ASIA TOPCO INVESTMENT LTD		
	Supervisor	Rep: Eugene Lee ASIA TOPCO INVESTMENT LTD Rep: Gianni Chen		
TOPCO Chemical (Z.F.T.Z.) Co., Ltd	Chairman	ASIA TOPCO INVESTMENT LTD	(Note)	100%
	Supervisor	Rep: Steve Tan ASIA TOPCO INVESTMENT LTD Rep: Joyce Lu		
ECO Technical Services Co., Ltd	Chairman	TOPCO Scientific Co., Ltd Rep: James Wang	22,293,121	100%
	Director	TOPCO Scientific Co., Ltd Rep: Robert Lai	22,293,121	100%
	Director	TOPCO Scientific Co., Ltd Rep: Johnny Huang	22,293,121	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Gianni Chen	22,293,121	100%
Kuan Yueh Technology Engineering Co., Ltd	Director	Topco International Investment Co., Ltd Rep: Charles Lee	8,885,268	79.24%
	Supervisor	TOPCO Scientific co., Ltd Rep: Della Huang	2,327,983	20.76%
Jia Yi Energy Co., Ltd	Chairman	Topco International Investment Co., Ltd Rep: IngSan Huang	4,405,887	23.53%
	Director	Topco International Investment Co., Ltd Rep: Robert Lai	4,405,887	23.53%
	Director	Topco International Investment Co., Ltd Rep: Charles Lee	4,405,887	23.53%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	14,319,131	76.47%

Name of Business	Title	Name	Share holding	
			Shares	%
Kanbo Biomedical Co., Ltd	Chairman	Topco International Investment Co., Ltd Rep: Simon Tseng	90,909	9.09%
	Director	Topco International Investment Co., Ltd Rep: Ken Huang	90,909	9.09%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	909,091	90.91%
Anyong Biotechnology Inc	Chairman	TOPCO Scientific Co., Ltd Rep: J.W. Kuo	19,882,304	99.41%
	Director	TOPCO Scientific Co., Ltd Rep: Simon Tseng	19,882,304	99.41%
	Director	TOPCO Scientific Co., Ltd Rep: Henry Ho	19,882,304	99.41%
	Supervisor	Topco International Investment Co., Ltd Rep: Della Huang	117,696	0.59%
Anyong Fresh Mart Inc	Chairman	TOPCO Scientific Co., Ltd Rep: Simon Tseng	21,800,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Robert Lai	21,800,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Joyce Lu	21,800,000	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	21,800,000	100%
Jing Chen Energy Co., Ltd	Director	Jia Yi Energy Co., Ltd Rep: Charles Lee	7,085,540	100%
Jing Yang Energy Co., Ltd	Director	Jia Yi Energy Co., Ltd Rep: Charles Lee	6,300,000	100%
DIO ENERGY GMBH	Director	Topco International Investment Co., Ltd Rep: Charles Lee	175,971	100%
Topchem Materials Co., Ltd	Chairman	Topco International Investment Co., Ltd Rep: Charles Lee	3,928,947	100%
	Director	Topco International Investment Co., Ltd Rep: Dennis Chen	3,928,947	100%
	Director	Topco International Investment Co., Ltd Rep: Daniel Yang	3,928,947	100%
	Supervisor	Topco International Investment Co., Ltd Rep: Della Huang	3,928,947	100%
Multi Rich Technology Co., Ltd	Director	Topco Investment Co., Ltd Rep: Daniel Liu	2,050,000	97.62%
	Supervisor	Della Huang	-	-
Xiang Yueh Co., Ltd	Director	TOPCO Scientific Co., Ltd Rep: Joyce Lu	600,000	100%

Name of Business	Title	Name	Share holding	
			Shares	%
Ding Yue Solar Co., Ltd	Director	Topco Investment Co., Ltd Rep: Charles Lee	900,000	100%
	Supervisor	Topco Investment Co., Ltd Rep: Della Huang	900,000	100%
General Precise Technology Co., Ltd	Director	TOPCO Scientific Co., Ltd Rep: Simon Tseng	1,000,000	100%
Jing Yueh Energy Co., Ltd	Director	Topco International Investment Co., Ltd Rep: Charles Lee	7,513,077	100%
Yilan Anyong Lohas, Co., Ltd	Chairman	TOPCO Scientific Co., Ltd Rep: JinZhu Wong	21,700,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: J.W. Kuo	21,700,000	100%
	Director	TOPCO Scientific Co., Ltd Rep: Simon Tseng	21,700,000	100%
	Supervisor	TOPCO Scientific Co., Ltd Rep: Della Huang	21,700,000	100%
Advanced Fishery Co., Ltd	Director	Topco Investment Co., Ltd Rep: Henry Ho	1,200,000	100%
Min Jen Restaurant Business Co., Ltd	Director	Topco Investment Co., Ltd Rep: Daniel Liu	11,000,000	68.75%
	Supervisor	Della Huang	-	-

Note: The company is a limited company.

(VI) Affiliated company's Operating Results

Unit:NT\$(US\$,JPY, RMB, EUR,SGD, VND) thousand ; Share
Dec.31,2019

Name of Business	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income	Profit (loss)	EPS
Taiwan E&M System	NT\$ 425,000	NT\$ 552,992	NT\$ 59,410	NT\$ 493,582	NT\$ 497,599	NT\$ 51,089	NT\$ 54,889	NT\$ 1.29
Topco International Investment Co., Ltd	NT\$ 370,000	NT\$ 366,449	NT\$ 100	NT\$ 366,349	—	NT\$ (174)	NT\$ 32,214	NT\$ 0.87
Topco Investment Co., Ltd	NT\$ 210,000	NT\$ 60,334	NT\$ 50	NT\$ 60,284	—	NT\$ (76)	NT\$ (24,994)	NT\$ (1.91)
CITY SPACE International Co., Ltd	NT\$ 19,000	NT\$ 51,306	NT\$ 25,791	NT\$ 25,515	NT\$ 34,185	NT\$ 4,820	NT\$ 3,961	NT\$ 2.08
TOPCO SCIENTIFIC(Japan) Co., Ltd	JPY 50,000	JPY 16,813	JPY 7,834	JPY 8,979	JPY 40,221	JPY 801	JPY 975	—
TOPCO GROUP LTD. (SAMOA)	US\$ 15,518	US\$ 74,069	—	US\$ 74,069	—	US\$ (1)	US\$ 14,747	US\$ 0.95
TOPSCIENCE (S) PTE LTD	SGD 500	SGD 21,484	SGD 9,199	SGD 12,285	SGD 30,205	SGD 1,541	SGD 1,338	SGD 2.68
Topscience Vietnam Co., Ltd	VND 579,250	VND 4,917,057	VND 645,875	VND 4,271,182	VND 32,431	VND (1,507,256)	VND (1,520,068)	—
Anyong(s) Pte. Ltd	SGD 0.002	SGD 0.002	—	SGD 0.002	—	—	—	—
ASIA TOPCO INVESTMENT LTD. (Mauritius)	US\$ 13,086	US\$ 50,966	—	US\$ 50,966	—	US\$ (4)	US\$ 11,819	US\$ 0.90
Hong Kong Topco Trading Ltd	US\$ 1,500	US\$ 14,938	US\$ 3,978	US\$ 10,960	US\$ 14,999	US\$ 1,715	US\$ 1,867	—
Topco Scientific (Shanghai) Co., Ltd	RMB 61,978	RMB 678,480	RMB 427,027	RMB 251,453	RMB 1,656,837	RMB 77,778	RMB 59,543	—
Shanghai Chongyao Trading Co., Ltd	RMB 13,000	RMB 95,725	RMB 45,236	RMB 50,489	RMB 57,994	RMB 4,853	RMB 4,075	—
Suzhou Topco Construction Ltd	RMB 20,786	RMB 308,714	RMB 218,184	RMB 90,530	RMB 329,041	RMB 21,171	RMB 17,005	—
TOPCO Chemical (Z.F.T.Z.) Co., Ltd	RMB 3,000	RMB 25,105	RMB 13,834	RMB 11,271	RMB 22,776	RMB 6,694	RMB 5,132	—
ECO Technical Services Co., Ltd	NT\$ 222,931	NT\$ 702,153	NT\$ 443,335	NT\$ 258,818	NT\$ 1,152,831	NT\$ 42,388	NT\$ 33,339	NT\$ 1.50
Kuan Yueh Technology Engineering Co., Ltd	NT\$ 112,133	NT\$ 433,403	NT\$ 310,999	NT\$ 122,404	NT\$ 43,476	NT\$ 14,714	NT\$ 8,037	NT\$ 0.72
Jia Yi Energy Co., Ltd	NT\$ 187,250	NT\$ 266,022	NT\$ 74,307	NT\$ 191,716	NT\$ 188,090	NT\$ 6,469	NT\$ (4,818)	NT\$ (0.26)
Kanbo Biomedical Co., Ltd	NT\$ 10,000	NT\$ 1,463	NT\$ 30	NT\$ 1,433	NT\$ 77	NT\$ (272)	NT\$ (272)	NT\$ 0.27

Name of Business	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income	Profit (loss)	EPS
Anyong Biotechnology Inc	NT\$ 200,000	NT\$ 160,057	NT\$ 37,132	NT\$ 122,925	NT\$ 53,811	NT\$ (53,804)	NT\$ (53,445)	NT\$ (2.67)
Anyong Fresh Mart Inc	NT\$ 218,000	NT\$ 187,386	NT\$ 111,748	NT\$ 75,638	NT\$ 190,825	NT\$ (56,406)	NT\$ (57,005)	NT\$ (2.61)
Jiang Chen Energy Co., Ltd	NT\$ 70,855	NT\$ 151,135	NT\$ 94,269	NT\$ 56,866	NT\$ 18,451	NT\$ 2,247	NT\$ (16,186)	NT\$ (2.28)
Jing Yang Energy Co., Ltd	NT\$ 63,000	NT\$ 189,551	NT\$ 117,619	NT\$ 71,932	NT\$ 26,132	NT\$ 8,631	NT\$ 5,036	NT\$ 0.80
DIO ENERGY GMBH	EUR 176	EUR 3	EUR 7	EUR (4)	—	—	—	—
Topchem Materials Corp	NT\$ 39,289	NT\$ 111,860	NT\$ 50,097	NT\$ 61,763	NT\$ 280,366	NT\$ 24,891	NT\$ 19,923	NT\$ 5.07
Multi Rich Technology Co., Ltd	NT\$ 21,000	NT\$ 3,714	NT\$ 145	NT\$ 3,569	—	NT\$ (725)	NT\$ (683)	NT\$ (0.32)
Xiang Yueh Co., Ltd	NT\$ 6,000	NT\$ 3,628	—	NT\$ 3,628	—	NT\$ (73)	NT\$ (62)	NT\$ (0.10)
Ding Yue Solar Co., Ltd	NT\$ 9,000	NT\$ 4,192	NT\$ 20	NT\$ 4,172	—	NT\$ (55)	NT\$ (45)	NT\$ (0.05)
General Precise Technology Co., Ltd	NT\$ 10,000	NT\$ 65,993	NT\$ 39,571	NT\$ 26,422	NT\$ 133,730	NT\$ 23,737	NT\$ 23,225	NT\$ 2.32
Jing Yueh Energy Co., Ltd	NT\$ 75,131	NT\$ 281,818	NT\$ 200,199	NT\$ 81,619	NT\$ 31,957	NT\$ 10,404	NT\$ 5,140	NT\$ 0.68
Yilan Anyong Lohas, Co., Ltd	NT\$ 217,000	NT\$ 109,345	NT\$ 11,943	NT\$ 97,402	NT\$ 34,328	NT\$ (75,095)	NT\$ (71,341)	NT\$ (3.29)
Advanced fishery Co., Ltd	NT\$ 12,000	NT\$ 4,601	NT\$ 102	NT\$ 4,499	NT\$ 8,317	NT\$ (5,128)	NT\$ (6,924)	NT\$ (5.77)
MinJen Restaurant Business Co., Ltd	NT\$ 160,000	NT\$ 49,878	NT\$ 16,883	NT\$ 32,995	NT\$ 8,679	NT\$ (21,005)	NT\$ (20,757)	NT\$ (1.30)

II. Private Placement Securities in 2019 and as of the date of this Annual Report's publication: None

III. Shares Acquired or Disposed by Subsidiaries in 2019 and as of this Annual Report's publication: None

IV. Other Required Supplementary Notes: None

V. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed that have occurred in the most recent year up to the publication date of this Annual Report: None.

Appendix 1 Financial statements for the most recent year
(AP1-1~AP1-86)

Appendix 2 Financial statements of the parent company for the most recent year audited
by the CPA (AP2-1~AP2-79)

**TOPCO SCIENTIFIC CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

Address: 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City
Telephone: 02-87978020

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Topco Scientific Co., Ltd. as of and for the year ended 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 International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Topco Scientific Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Topco Scientific Co., Ltd.
Chairman: Sun-Quae Lai
Date: March 27, 2020



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666

Fax 傳真 + 886 2 8101 6667

Internet 網址 kpmg.com/tw

AP1- 4

Independent Auditors' Report

To the Board of Directors of Topco Scientific Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Topco Scientific Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

We did not audit the financial statements for certain investments accounted for using equity method in the consolidated financial statements of the Group for 2019 and 2018. The investments accounted for using equity method constituted 7.79% and 7.54% of the total consolidated assets as of December 31, 2019 and 2018; and the share of profits of associates and joint ventures accounted for using equity method constituted 15.80% and 15.88% of profits before tax for the year ended December 31, 2019 and 2018, respectively. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of subsidiaries and investments accounted for equity method, is based solely on the reports of the other auditors.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Recognition of Operating Revenue

Please refer to note 4(p) "Revenue" for accounting policies related to revenue recognition; note 5(c) for revenue recognition of construction and the percentage of completion method for construction contracts; and note 6(w) "Revenue" for details of revenue.

Description of Key Audit Matters:

Due to the wide variety of the Group's products, different transactions were generated according to customers and product portfolio. Identification of revenue recognition has significant influence on the consolidated financial statements of the Group. In addition, the budgets for construction contracts highly depend on the management's judgments. The evaluation of above budgets may result in significant changes in income and losses for the reporting period. Therefore, revenue recognition is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing related manual and systematic control over sales cycle to assess if the revenue recognition policies of the Group is in accordance with the related standards. In addition, we examined the sales contracts between the Group and its customers to understand their trading modality and conditions, evaluating and comparing if revenue recognition is consistent with the terms of the contracts; acquiring construction contracts that have significant effects on financial results to verify that there is no difference in the percentage of completion calculated by the Group; conducting testing for details of revenue before and after the balance sheet date and verifying if revenue recognition is in accordance with the contract terms.

2. Valuation of inventories

Please refer to note 4(h) "Inventories" for accounting policies related to valuation of inventories; note 5(b) for uncertainty in valuation of inventories; and note 6(f) for related description for valuation of inventories.

Description of Key Audit Matters:

Valuation of inventories is measured by cost and net realizable value. The inventories purchased were based on the demand of customer orders, and the Group may be exposed to the risk concerning the carrying amount of inventories which is lower than the realizable value due to market price declined and business cycle of the industry. Therefore, valuation of inventories is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating whether the Group's valuation of inventories is conducted in accordance with the Group's accounting policies and related standards; examining the inventory aging reports and analyzing the changes on the aging of inventories in each period, including conducting sampling procedures to examine the accuracy of inventory aging reports and understanding the sales prices adopted by the management and subsequent fluctuation in market price to assess the rationality of net realizable value of inventories.

3. Valuation of Accounts Receivable

Please refer to note 4(g) "Financial instruments" for accounting policies related to valuation of accounts receivable; note 5(a) for uncertainties in valuation of accounts receivable; and note 6(d) "Notes and accounts receivable".

Description of Key Audit Matters:

Allowance for accounts receivable is evaluated based on the lifetime expected credit loss of accounts shown in objective evidences. Therefore, valuation of accounts receivable is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: examining allowance for accounts receivable of the Group to determine whether related accounting policies are applied appropriately, analyzing the allowance for uncollectible accounts receivable based on the accounts receivable aging report, examining the collection record of the past and the subsequent period, economic condition of the industry, concentration of credit risk, and the Group's assessment on the ability of the customers with imperfect credit record to repay in order to evaluate the rationality of the recognition of allowance for uncollectible accounts receivable and amounts recognized.

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

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

Those charged with governance (including the supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 27, 2020

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 3,133,630	16	2,480,878	14
1110 Current financial assets at fair value through profit or loss (note 6(b))	197,100	1	220,207	1
1140 Current contract assets (note 6(w))	581,421	3	494,353	3
1170 Notes and accounts receivable, net (note 6(d))	5,074,125	26	4,851,381	28
1180 Notes and accounts receivable due from related parties, net (notes 6(i) and 7)	118,273	1	93,367	1
1476 Other current financial assets (notes 6(c) and 8)	117,748	-	151,849	1
1300 Inventories, net (note 6(f))	3,302,721	17	2,657,051	15
1479 Other current assets, others	406,622	2	496,569	3
	<u>12,931,640</u>	<u>66</u>	<u>11,445,655</u>	<u>66</u>
Non-current assets:				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	111,097	-	99,081	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(e))	829,550	4	581,475	3
1530 Investments accounted for using equity method (note 6(g))	1,529,405	8	1,305,978	8
1600 Property, plant and equipment (note 6(j))	3,521,162	18	3,526,931	21
1755 Right-of-use assets (note 6(k))	376,108	2	-	-
1760 Investment property, net (note 6(l))	126,075	1	62,769	-
1840 Deferred tax assets (note 6(t))	115,783	1	108,788	1
1900 Other non-current assets (notes 6(m) and 8)	98,684	-	106,728	1
	<u>6,707,864</u>	<u>34</u>	<u>5,791,750</u>	<u>34</u>
Total assets	<u>\$ 19,639,504</u>	<u>100</u>	<u>17,237,405</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note 6(n))	\$ 1,038,339	5	881,068	5
Current contract liabilities (note 6(w))	741,801	4	704,408	4
Notes and accounts payable	4,062,497	21	3,528,798	21
Notes and accounts payable to related parties (note 7)	1,655,642	9	1,704,271	10
Other current financial liabilities	607,791	3	517,822	3
Current provisions (note 6(q))	194,127	1	138,108	1
Current lease liabilities (note 6(p))	86,252	-	-	-
Long-term borrowings, current portion (note 6(o))	62,412	-	48,720	-
Current refund liabilities	57,737	-	27,367	-
Other current liabilities	229,566	1	189,683	1
	<u>8,736,164</u>	<u>44</u>	<u>7,740,245</u>	<u>45</u>
Non-Current liabilities:				
Long-term borrowings (note 6(o))	509,382	3	426,944	2
Non-current lease liabilities (note 6(p))	293,681	2	-	-
Deferred tax liabilities and other non-current liabilities (note 6(i))	364,467	2	284,854	2
Non-current net defined benefit liability (note 6(s))	204,696	1	198,794	1
	<u>1,372,226</u>	<u>8</u>	<u>910,592</u>	<u>5</u>
	<u>10,108,390</u>	<u>52</u>	<u>8,650,837</u>	<u>50</u>
Equity attributable to owners of parent:				
Ordinary shares (note 6(u))	1,816,996	9	1,816,996	11
Capital surplus (note 6(u))	2,340,676	12	2,340,679	14
Retained earnings (note 6(u))	4,917,348	25	4,164,150	24
Other equity (note 6(u))	437,194	2	239,144	1
	<u>9,512,214</u>	<u>48</u>	<u>8,560,969</u>	<u>50</u>
Non-controlling interests	18,900	-	25,599	-
Total equity	9,531,114	48	8,586,568	50
Total liabilities and equity	<u>\$ 19,639,504</u>	<u>100</u>	<u>17,237,405</u>	<u>100</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share
which is expressed in New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
Operating Revenues: (notes 6(w) and 7)				
4110 Net sales revenue	\$ 27,077,760	85	24,329,039	84
4520 Construction revenue	3,665,901	12	3,652,193	13
4800 Other operating revenue	<u>956,855</u>	<u>3</u>	<u>879,967</u>	<u>3</u>
Operating revenue, net	31,700,516	100	28,861,199	100
Operating costs: (notes 6(f), 7 and 12(a))				
5110 Cost of sales	24,304,990	77	21,761,782	75
5500 Construction cost	3,233,788	10	3,433,398	12
5800 Other operating costs	<u>242,925</u>	<u>1</u>	<u>263,049</u>	<u>1</u>
	<u>27,781,703</u>	<u>88</u>	<u>25,458,229</u>	<u>88</u>
5910 Less: Unrealized profit (loss) from sales	<u>(292)</u>	<u>-</u>	<u>(292)</u>	<u>-</u>
Gross profit	3,919,105	12	3,403,262	12
Operating expenses: (notes 6(x), 7 and 12(a))				
6100 Selling expenses	1,111,360	3	981,238	4
6200 Administrative expenses	885,021	3	879,256	3
6300 Research and development expenses	<u>77,361</u>	<u>-</u>	<u>22,353</u>	<u>-</u>
Total operating expenses	2,073,742	6	1,882,847	7
Net operating income	1,845,363	6	1,520,415	5
Non-operating income and expenses:				
7010 Other income (notes 6(b), 6(c) and 6(y))	82,798	-	66,139	-
7020 Other gains and losses, net (notes 6(g) and 6(2))	(27,666)	-	(38,290)	-
7050 Finance costs	(30,669)	-	(24,745)	-
7060 Share of gain of associates and joint ventures accounted for using equity method (note 6(g))	348,306	1	280,953	1
7670 Impairment loss (notes 6(g), 6(h) and 6(j))	<u>(9,933)</u>	<u>-</u>	<u>(9,495)</u>	<u>-</u>
	<u>362,836</u>	<u>1</u>	<u>274,562</u>	<u>1</u>
Profit (loss) from continuing operations before tax	2,208,199	7	1,794,977	6
7950 Less: Income tax expenses (note 6(l))	<u>491,246</u>	<u>2</u>	<u>413,389</u>	<u>1</u>
Profit (loss)	1,716,953	5	1,381,588	5
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(2,305)	-	(7,913)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	252,491	1	17,423	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	1	-	(13)	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(461)</u>	<u>-</u>	<u>(2,882)</u>	<u>-</u>
	<u>250,648</u>	<u>1</u>	<u>12,379</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(73,179)	-	(11,135)	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(145)	-	(86)	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(14,632)</u>	<u>-</u>	<u>(3,422)</u>	<u>-</u>
	<u>(58,692)</u>	<u>-</u>	<u>(7,799)</u>	<u>-</u>
8300 Other comprehensive income	191,956	1	4,580	-
Comprehensive income	\$ 1,908,909	6	1,386,168	5
Profit, attributable to:				
8610 Profit, attributable to owners of parent	\$ 1,722,308	5	1,404,675	5
8620 Profit, attributable to non-controlling interests	<u>(5,355)</u>	<u>-</u>	<u>(23,087)</u>	<u>-</u>
	<u>\$ 1,716,953</u>	<u>5</u>	<u>1,381,588</u>	<u>5</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 1,914,264	6	1,409,255	5
Comprehensive income, attributable to non-controlling interests	<u>(5,355)</u>	<u>-</u>	<u>(23,087)</u>	<u>-</u>
	<u>\$ 1,908,909</u>	<u>6</u>	<u>1,386,168</u>	<u>5</u>
Earnings per share: (note 6(v))				
9750 Basic net income per share	\$ 9.48		7.73	
9850 Diluted net income per share	\$ 9.42		7.68	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	(losses) on financial assets measured at fair value through other comprehensive income	Total other equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	1,816,996	2,340,746	1,028,069	28,851	2,533,071	3,589,991	(37,245)	210,678	173,433	7,921,166	8,938	7,930,104
Profit for the year ended December 31, 2018	-	-	-	-	1,404,675	1,404,675	-	-	-	1,404,675	(23,087)	1,381,588
Other comprehensive income	-	-	-	-	(5,044)	(5,044)	(7,799)	17,423	9,624	4,580	-	4,580
Total comprehensive income	-	-	-	-	1,399,631	1,399,631	(7,799)	17,423	9,624	1,409,255	(23,087)	1,386,168
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	99,763	-	(99,763)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	10,299	(10,299)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(763,138)	(763,138)	-	-	-	(763,138)	-	(763,138)
Changes in ownership interests in subsidiaries	-	-	-	-	(6,247)	(6,247)	-	-	-	(6,247)	-	(6,247)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	39,748	39,748
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(56,087)	(56,087)	-	56,087	56,087	-	-	-
Other	-	(67)	-	-	-	-	-	-	(67)	-	-	(67)
Balance at December 31, 2018	1,816,996	2,340,679	1,127,832	39,150	2,097,168	4,164,150	(45,044)	284,188	239,144	8,560,969	25,599	8,586,568
Profit for the year ended December 31, 2019	-	-	-	-	1,722,308	1,722,308	-	-	-	1,722,308	(5,355)	1,716,953
Other comprehensive income	-	-	-	-	(1,843)	(1,843)	(58,692)	252,491	193,799	191,956	-	191,956
Total comprehensive income	-	-	-	-	1,720,465	1,720,465	(58,692)	252,491	193,799	1,914,264	(5,355)	1,908,909
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	140,468	-	(140,468)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(39,150)	39,150	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(963,008)	(963,008)	-	-	-	(963,008)	-	(963,008)
Changes in ownership interests in subsidiaries	-	-	-	-	(8)	(8)	-	-	-	(11)	-	(11)
Changes in non-controlling interests	-	(3)	-	-	(8)	(8)	-	-	-	(11)	(1,344)	(1,344)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(4,251)	(4,251)	-	4,251	4,251	-	-	-
Balance at December 31, 2019	1,816,996	2,340,676	1,268,300	-	3,649,048	4,917,348	(103,735)	\$40,930	437,194	9,512,214	18,900	9,531,114

See accompanying notes to consolidated financial statements.

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

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,208,199	1,794,977
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	262,945	157,065
Amortization expense	12,904	7,352
Expected credit loss (gain)	1,471	(121)
Net loss (gain) on financial assets at fair value through profit or loss	(1,962)	14,446
Interest expense	30,669	24,745
Interest income	(27,138)	(18,058)
Dividends income	(30,934)	(23,832)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(348,306)	(280,953)
Loss on disposal of property, plant and equipment	6,801	1,165
Loss on disposal of investments accounted for using equity method	2,485	-
Impairment loss	9,933	9,495
Others	1,471	2,323
Total adjustments to reconcile profit (loss)	(79,661)	(106,373)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes and accounts receivable	(240,585)	(1,124,539)
Increase in inventories	(645,670)	(165,660)
Decrease (increase) in financial assets at fair value through profit or loss	24,296	100,674
Decrease (increase) in other current assets	84,435	(82,059)
Decrease (increase) in other current financial assets	(881)	61,728
Increase in contract assets	(87,068)	(353,214)
Increase in other operating assets	-	(1,124)
Total changes in operating assets	(865,473)	(1,564,194)
Changes in operating liabilities:		
Increase in notes and accounts payable	485,070	1,220,244
Increase (decrease) in contract liabilities	37,393	(155,536)
Increase in other current financial liabilities	98,800	112,478
Increase in current provisions	56,019	66,267
Decrease in current refund liabilities	30,370	(58,711)
Decrease in other current liabilities	(37,657)	(10,658)
Increase in other operating liabilities	3,597	3,416
Total changes in operating liabilities	673,592	1,177,600
Total changes in operating assets and liabilities	(191,881)	(386,594)
Total adjustments	(271,542)	(492,967)
Cash inflow generated from operations	1,936,657	1,302,010
Interest received	27,204	17,639
Dividends received	149,559	121,424
Interest paid	(32,361)	(25,420)
Income taxes paid	(323,091)	(321,899)
Net cash flows from operating activities	1,757,968	1,093,754
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(13,462)	(36,632)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,416	10,642
Proceeds from capital reduction of financial assets at fair value through profit or loss	1,219	1,220
Proceeds from disposal of associates accounted for investments accounted for using equity method	1,500	-
Proceeds from disposal of property, plant and equipment	34,567	7,801
Acquisition of property, plant and equipment	(312,462)	(278,019)
Decrease (increase) in refundable deposits	4,431	(2,982)
Acquisition of intangible assets	(3,737)	(13,464)
Net cash inflows (outflows) from acquisition of subsidiaries	-	7,278
Decrease (increase) in restricted assets	34,716	(52,140)
Net cash flows from investing activities	(247,812)	(356,296)
Cash flows from (used in) financing activities:		
Increase in short-term loans	157,271	94,264
Issuance of long-term borrowings	150,420	16,200
Repayments of long-term borrowings	(54,386)	(48,342)
Decrease in guarantee deposits received	(2,612)	(54)
Payment of lease liabilities	(77,706)	-
Cash dividends paid	(963,008)	(763,138)
Change in non-controlling interests	(1,355)	(1,304)
Others	-	(67)
Net cash flows from financing activities	(791,376)	(702,441)
Effect of exchange rate changes on cash and cash equivalents	(66,028)	(9,003)
Net increase in cash and cash equivalents	652,752	26,014
Cash and cash equivalents at beginning of period	2,480,878	2,454,864
Cash and cash equivalents at end of period	\$ 3,133,630	2,480,878

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TOPCO SCIENTIFIC CO., LTD. (the “Company”) was incorporated on February 17, 1990, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) engage in the trading of electronics products, high technology products and related materials and components, pollution prevention equipment, the design and installation of water purification and recycling systems, solar energy materials and providing solar energy system integration services, the operation of electricity solar power stations wholesale of fishery products and cooperate with foreign fishing companies, as well as the operation of tourism factory and restaurant, and retail sales of food products. Please refer to note 14 for related information.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the board of directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach, under which no cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(1).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$370,209 of right-of-use assets and \$364,697 of lease liabilities, recognising the difference in prepaid rent. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.56%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 350,616
Recognition exemption for:	
short-term leases	(12,340)
leases of low-value assets	(458)
Extension and termination options reasonably certain to be exercised	<u>58,801</u>
	<u>396,619</u>
Discounted using the incremental borrowing rate at January 1, 2019	364,697
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 364,697</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The above changes in accounting policies would not result in any material adjustments to the consolidated financial report.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (assets) are measured at fair values of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(q).

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Name of Investor	Name of Subsidiary	Principal activity	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Taiwan E&M System Inc. (Taiwan E&M)	Sales of electronic material	100%	100%	
"	Topco Group Ltd. (Topco Group)	Investment	100%	100%	
"	Topco International Investment Co., Ltd. (Topco International Investment)	Investment	100%	100%	
"	Topco Investment Co., Ltd. (Topco Investment)	Investment	100%	100%	
"	ECO Technical Services Co., Ltd. (Chien Yueh)	Water purification and construction of dust-proof room	100%	100%	
"	Anyong Biotechnology, Inc. (Anyong Biotechnology)	Aquaculture and strategic partnership with fish processing	99%	99%	The Company and Topco International Investment Co., Ltd. held its 100% share jointly.
"	Anyong FreshMart, Inc. (Anyong Fresh Mart.)	Wholesale and retail sales of fishery products and supermarket operation	100%	100%	
"	Kanbo Biomedical Co., Ltd. (Kanbo Biomedical)	Sales of health food products	91%	91%	The Company and Topco International Investment held its 100% share jointly.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Kuan Yueh Technology Engineering Co., Ltd.(Kuan Yueh Technology)	Development of renewable energy project Configure pipeline construction and device installation	21%	21%	The Company and Topco International Investment held its 100% share jointly.
"	Xiang Yueh Co., Ltd.(Xiang Yueh)	Sports training	100%	100%	
"	Jia Yi Energy Co., Ltd. (Jia Yi Energy)	Manufacture of machinery and electronic spare parts	76%	76%	The Company and Topco International Investment held its 100% share jointly.
"	Yilan Anyong Lohas, Co., Ltd. (Anyong Lohas)	Restaurant and retail sales of food products	100%	100%	
"	General Precise Technology Co., Ltd. (General Precise)	Process and sales of quartz products	100%	-%	Chinese Quartz Tech. Co. Ltd. renamed as General Precise Technology Co., Ltd. in February 2018. The Company acquired 100% share of General Precise in the third quarter of 2019.
Topco Group	Asia Topco Investment Ltd. (Asia Topco)	Investment	100%	100%	
"	Topscience (s) Pte Ltd. (Topscience (s))	Sales of parts of semiconductor and optoelectronic industries	100%	100%	
"	Hong Kong Topco Trading Limited (Topco Trading)	Wholesale of semiconductor material and electronic material	100%	100%	
Asia Topco	Topco Scientific (Shanghai) Co., Ltd. (Topco shanghai)	Wholesale of semiconductor material and electronic material	100%	100%	
"	Suzhou Topco Construction Ltd. (Topco Suzhou)	Water purification and cleanroom construction	100%	100%	

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Name of Investor	Name of Subsidiary	Principal activity	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
Asia Topco	Topco Chemical (Z.F.T.Z.) Co., Ltd. (Topco Chemical)	Wholesale and sales of chemical products	100%	100%	
Topco Shanghai	Shanghai Chongyao Trading Co., Ltd. (Shanghai Chongyao)	Wholesale of semiconductor material and electronic material	98%	98%	Topco Shanghai and Topco Suzhou held its 100% share jointly.
Topco Suzhou	Shanghai Chongyao	Wholesale of semiconductor material and electronic material	2%	2%	
Topscience (s)	Topscience Vietnam Co., Ltd. (Topscience Vietnam)	Sales of parts of semiconductor and optoelectronic industries	100%	-%	Established in the third quarter of 2019.
"	Anyong (s) Pte. LTD. (Anyong (s))	Wholesale and retail sales of fishery products	100%	100%	
Topco International Investment	Cityspace International Co., Ltd.(Cityspace)	Wholesale and sales of cosmetic	67%	67%	
"	Topco Scientific (Japan) Co., Ltd. (Topco Japan)	Sales of facilities of semiconductor and clean room	100%	100%	
"	Kuan Yueh Technology	Development of renewable energy projects	79%	79%	
"	Jia Yi Energy	Configure pipeline construction and device installation			
"	Jia Yi Energy	Manufacture of machinery and electronic spare parts	24%	24%	
"	Kanbo Biomedical	Sales of health food products	9%	9%	
"	DIO Energy GmbH	Development of renewable energy project	100%	100%	
"	Anyong Biotechnology	Aquaculture and strategic partnership with fish processing	1%	1%	

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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Name of Investor	Name of Subsidiary	Principal activity	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
Topco International Investment	Topchem Materials Corp. (Topchem Materials)	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	100%	100%	
"	Jing Yueh Energy Co., Ltd. (Jing Yueh Energy)	Development of renewable energy projects	100%	100%	
Topco Investment	Multi Rich Technology Co., Ltd. (Multi Rich Technology)	Wholesale of fishery products	98%	98%	
"	Ding Yue Solar Co., Ltd. (Ding Yue Solar)	Development of renewable energy projects	100%	100%	Ding Yue Foods Co., Ltd. was renamed as Ding Yue Solar Co., Ltd. in August 2019.
"	Advanced Fishery Co., Ltd. (Advanced Fishery)	Aquaculture and wholesale of fishery products	100%	98%	Topco Investment acquired 100% share of Advanced Fishery in the forth quarter of 2019.
"	Min Jen Restaurant Business Co., Ltd. (Min Jen Restaurant)	Restaurant	69%	69%	Topco Investment acquired more than half of Min Jen Restaurant's equity in January 2018, including in the consolidated financial statements from the date that control commences.
Jia Yi Energy	Jing Chen Energy Co., Ltd. (Jing Chen)	Development of renewable energy projects.	100%	100%	
"	Jing Yang Energy Co., Ltd. (Jing Yang)	"	100%	100%	
Taiwan E&M	General Precise	Process and sales of quartz products	-%	100%	Taiwan E&M sold all of General Precise's share to the Company in the third quarter of 2019.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

The business cycle of the construction contracts is usually longer than a year, therefore, the balance sheet accounts related to the construction contracts are classified as current.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated Group's interest in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing cost, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 3~51 years
- 2) Building improvement: 3~10 years
- 3) Machine and others: 1~30 years

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Depreciation methods, useful lives, and residual values are reviewed at each reporting date, and adjusted if appropriated.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Lease

Applicable after January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value-asset, including machinery and IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessee

Operating leases are not recognized in the Group's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(ii) Lessor

A finance leased asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(m) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Computer software: 1~5 years
- 2) Right of using: the contract period

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group sells of semiconductor material and electronic material. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group provides volume rebates to customers that based on accumulated sales for each month or each quarter. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Construction contracts

The Group enters into contracts to construction of dust-proof room and ammonium wastewater. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of completion of a physical proportion of the contract work. The consideration promised in the contract includes fixed amounts. The customer pays the fixed amount based on a payment schedule. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For constructions, the Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(q).

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is net amount of commission made by the Group.

(iv) Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

(v) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(s) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The 5% surtax on the Company and the domestic subsidiaries' unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

The Group's income tax returns are calculated and filed based on the Company's and each subsidiary's local tax law. The Group's income tax expenses are the aggregation of all consolidated entities' income tax expenses.

(t) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise employee compensation not yet approved by the Board of Directors.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(d).

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

(c) Revenue recognition

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs or actually completion of the contracts. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Refer to note 6(w) for further description of construction revenue.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 9,987	6,329
Checking accounts and demand deposits	1,854,167	1,617,476
Time deposits	1,269,476	857,073
	<u>\$ 3,133,630</u>	<u>2,480,878</u>

Please refer to note 6(aa) for the disclosure of the exchange rate risk and the sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificate-Funds	\$ 197,100	220,207
Unlisted common shares	72,441	74,828
Convertible bonds	7,843	7,950
Foreign unlisted funds	30,813	16,303
	<u>\$ 308,197</u>	<u>319,288</u>
Current	\$ 197,100	220,207
Non-current	111,097	99,081
	<u>\$ 308,197</u>	<u>319,288</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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During the years ended December 31, 2019 and 2018, the dividends of \$1,534 and \$2,100, respectively, related to mandatorily measured at fair value through profit or loss held on the years then ended, were recognized as other income by the Group.

(c) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Domestic listed stock	\$ -	3,372
Domestic unlisted stock	829,550	576,414
Foreign unlisted stock	-	1,689
Total	\$ 829,550	581,475

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$29,400 and \$21,732, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized as other income by the Group.

During the years ended December 31, 2019 and 2018, the Group had sold part of its shares designated as at fair value through other comprehensive income as a result of an adjustment of its investment portfolio. The fair value of shares sold was \$4,416 and \$10,642, respectively, and the Group realized a loss of \$4,251 and \$56,087, respectively. The loss has been transferred to retained earnings from other comprehensive income.

The Group's information of market risk, please refer to note 6(aa).

As of December 31, 2019 and 2018, the Group did not provide financial assets as collateral for its loans.

(d) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	\$ 31,265	19,276
Accounts receivable from measured as amortized cost	5,185,989	4,949,786
Less: Loss allowance	24,856	24,314
Notes and accounts receivable	\$ 5,192,398	4,944,748
Notes and accounts receivable, net	\$ 5,074,125	4,851,381
Notes and accounts receivable due from related parties, net	\$ 118,273	93,367

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information.

The loss allowance provisions were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,603,428	0.09%	4,108
Overdue 0-30 days	502,385	1.00%	5,024
Overdue 31-60 days	54,298	3.00%	1,629
Overdue 61-90 days	16,521	5.00%	826
Overdue over 91 days	30,422	10.09%	3,069
Customers with poor credit	<u>10,200</u>	100.00%	<u>10,200</u>
	<u><u>\$ 5,217,254</u></u>		<u><u>24,856</u></u>

	December 31, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,589,258	0.15%	6,781
Overdue 0-30 days	243,522	0.96%	2,339
Overdue 31-60 days	61,472	0.90%	552
Overdue 61-90 days	19,298	12.25%	2,364
Overdue over 91 days	43,566	0.76%	332
Customers with poor credit	<u>11,946</u>	100.00%	<u>11,946</u>
	<u><u>\$ 4,969,062</u></u>		<u><u>24,314</u></u>

The movement in the allowance for notes and accounts receivable were as follows:

	2019	2018
Balance at January 1	\$ 24,314	24,435
Impairment losses recognized (reversed)	1,471	(121)
Amounts written off	(545)	-
Foreign exchange gains (losses)	<u>(384)</u>	<u>-</u>
Balance at December 31	<u><u>\$ 24,856</u></u>	<u><u>24,314</u></u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 64,918	64,102
Less: Loss allowance	<u>3,755</u>	<u>3,755</u>
	<u>\$ 61,163</u>	<u>60,347</u>

(f) Inventories

	December 31, 2019	December 31, 2018
Merchandise inventories	\$ 3,237,733	2,566,025
Work in progress	2,492	1,112
Raw materials	26,303	27,391
Goods in transit	<u>36,193</u>	<u>62,523</u>
	<u>\$ 3,302,721</u>	<u>2,657,051</u>

The details of the cost of sales were as follows:

	2019	2018
Cost of sales	\$ 24,300,712	21,756,717
Provision (reversal) for inventory valuation loss and obsolescence	2,930	3,217
Loss on indemnity of inventory and others	<u>1,348</u>	<u>1,848</u>
	<u>\$ 24,304,990</u>	<u>21,761,782</u>

As of December 31, 2019 and 2018, the Group did not provide inventories as collateral for its loans.

(g) Investments accounted for using equity method

(i) The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2019	December 31, 2018
The carrying amount of individually insignificant associates' equity	<u>\$ 1,529,405</u>	<u>1,305,978</u>
	2019	2018
Attributable to the Group		
Profit (loss) from continuing operations	\$ 348,306	280,953
Other comprehensive income	<u>(144)</u>	<u>(99)</u>
Total comprehensive income	<u>\$ 348,162</u>	<u>280,854</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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- (ii) During the year ended December 31, 2019, the Group had sold all of its shares in its associates for \$1,500, resulting in the Group to realize the loss of \$2,485, which was already included in other gains and losses of consolidated statement of comprehensive income.
- (iii) The investment value of some associates is impaired; therefore, the Group recognized an impairment loss of \$2,125 during the year ended December 31, 2019.
- (iv) As of December 31, 2019 and 2018, the Group did not provide any investments accounted for using equity method as collaterals for its loans.
- (h) Subsidiaries and non-controlling interests

Considering the future development strategy, the Group purchased Min Jen Restaurant's equity in September 2017, and January 2018, respectively, for a total of \$80,000. The Group increased its shareholding from 38% to 62% and acquired its controlling right in January 2018. As of December 31, 2018, the Group had paid off its payment.

As of the acquisition date, the identifiable assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	\$	57,278
Notes accounts receivable, net		10,127
Other financial assets		10,731
Inventories, net		1,856
Other current assets		3,202
Property, plant and equipment		46,685
Other non-current assets		950
Notes and accounts payable		(14,261)
Other current liabilities		<u>(26,072)</u>
Net identifiable assets	\$	<u><u>90,496</u></u>

Goodwill recognized from acquisition:

Transfer consideration	\$	50,000
Add: non-controlling interests (measured in proportion of net identifiable assets)		34,805
Add: fair value of acquirees' equity		15,186
Less: fair value of net identifiable asstes		<u>90,496</u>
Goodwill	\$	<u><u>9,495</u></u>

The difference between the consideration transferred of \$50,000 and the fair value of Min Jen Restaurant's equity ownership was \$9,495. The goodwill was generated from the diversity of the Group's business. However, the operation was not as expected, and the value of the goodwill had been devalued, the Group therefore recognized an impairment loss amounting to \$9,495, which was recorded as impairment losses in 2018.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Changes in a parent's ownership interest in a subsidiary

The Group purchased the shares of its subsidiaries from non-controlling interests amounting to \$124 in 2019, resulting in a reduction in capital surplus and retained earnings of \$3 and \$8, respectively.

Ming Jen restaurant, which is the Group's subsidiaries, issued newly shares to \$30,000 in 2018, resulting in a decrease of \$6,247 in retained earnings.

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings and building improvement	Machinery and others	Total
Cost:				
Balance on January 1, 2019	\$ 909,028	1,625,881	1,610,380	4,145,289
Additions	2,018	621	235,096	237,735
Disposals	-	(20,147)	(89,583)	(109,730)
Reclassifications	-	9,944	(17,002)	(7,058)
Effect of movements in exchange rates	-	(7,923)	(911)	(8,834)
Balance on December 31, 2019	<u>\$ 911,046</u>	<u>1,608,376</u>	<u>1,737,980</u>	<u>4,257,402</u>
Balance on January 1, 2018	\$ 909,028	1,343,014	1,663,183	3,915,225
Additions	-	527	268,068	268,595
Acquisition from business combination	-	-	50,927	50,927
Disposals	-	(11,005)	(55,789)	(66,794)
Reclassifications	-	297,409	(315,540)	(18,131)
Effect of movements in exchange rates	-	(4,064)	(469)	(4,533)
Balance on December 31, 2018	<u>\$ 909,028</u>	<u>1,625,881</u>	<u>1,610,380</u>	<u>4,145,289</u>
Depreciation and impairments loss:				
Balance on January 1, 2019	\$ -	239,424	378,934	618,358
Depreciation	-	48,431	133,119	181,550
Impairment loss	-	-	7,808	7,808
Disposals	-	(20,147)	(48,215)	(68,362)
Reclassifications	-	-	(47)	(47)
Effect of movements in exchange rates	-	(2,486)	(581)	(3,067)
Balance on December 31, 2019	<u>\$ -</u>	<u>265,222</u>	<u>471,018</u>	<u>736,240</u>
Balance on January 1, 2018	\$ -	211,659	306,207	517,866
Depreciation	-	40,106	115,590	155,696
Acquisition from business combination	-	-	4,242	4,242
Disposals	-	(11,005)	(46,823)	(57,828)
Effect of movements in exchange rates	-	(1,336)	(282)	(1,618)
Balance on December 31, 2018	<u>\$ -</u>	<u>239,424</u>	<u>378,934</u>	<u>618,358</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	Land	Buildings and building improvement	Machinery and others	Total
Carrying amounts:				
Balance on December 31, 2019	\$ 911,046	1,343,154	1,266,962	3,521,162
Balance on January 1, 2018	\$ 909,028	1,131,355	1,356,976	3,397,359
Balance on December 31, 2018	\$ 909,028	1,386,457	1,231,446	3,526,931

- (i) During the year ended December 31, 2019, some solar modules and equipment showed damages and inefficiency in generating power, which are indications of impairment; therefore, impairment loss \$7,808 was charged to the relevant equipment of the individual asset, after re-evaluating the recoverable amount using the residual market value, which was already included in other gains and losses in consolidated statement of comprehensive income.
- (ii) In order to expand its business, the Group purchased pieces of land to build a tourism factory and a fish processing factory. The registration procedures of the land have been completed and the payments had been fully paid. According to the law, the land in Yilan city is an agricultural land and cannot be owned by any legal corporation, thus, the title is temporarily held by an individual with whom the Group entered into an agreement with, clarifying the rights and obligations of both parties. The construction and decoration of the tourism factory had been completed in January and June 2017, respectively, and were reclassified to buildings and started to depreciate. The tourism factory began its operation in the third quarter of 2017. In addition, the construction of the fish processing factory had been completed in September 2018, and was reclassified to buildings.
- (iii) As of December 31, 2019 and 2018, the Group did not provide any property, plant and equipment as collateral for its loans.
- (k) Right-of-use assets

The Group leases many assets including land and buildings and vehicles. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings	Vehicles	Total
Cost:				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application of IFRS 16	1,688	323,043	45,478	370,209
Balance on January 1, 2019 after adjustment	1,688	323,043	45,478	370,209
Additions	1,645	91,174	15,542	108,361
Disposals	-	(28,316)	(3,879)	(32,195)
Effect of movements in exchange rates	-	(892)	-	(892)
Balance on December 31, 2019	\$ 3,333	385,009	57,141	445,483
Depreciation:				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application of IFRS 16	-	-	-	-
Balance on January 1, 2019 after adjustment	-	-	-	-
Depreciation for the period	413	56,493	21,862	78,768
Disposals	-	(6,718)	(2,451)	(9,169)
Effect of movements in exchange rates	-	(224)	-	(224)
Balance on December 31, 2019	\$ 413	49,551	19,411	69,375

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Carrying amount:				
Balance on December 31, 2019	\$ <u>2,920</u>	<u>335,458</u>	<u>37,730</u>	<u>376,108</u>

The Group leases offices, warehouses and vehicles under an operating lease for the year ended December 31, 2018, please refer to note 6(r).

(l) Investment property

The investment properties of the Group were as follows:

	<u>Buildings</u>
Cost:	
Balance on January 1, 2019	\$ 68,844
Additions	67,588
Effect of changes in foreign exchange rates	<u>(1,753)</u>
Balance on December 31, 2019	<u>\$ 134,679</u>
Balance on January 1, 2018	\$ 68,171
Effect of changes in foreign exchange rates	<u>673</u>
Balance on December 31, 2018	<u>\$ 68,844</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2019	\$ 6,075
Depreciation for the year	2,627
Effect of changes in foreign exchange rates	<u>(98)</u>
Balance on December 31, 2019	<u>\$ 8,604</u>
Balance on January 1, 2018	\$ 4,653
Depreciation for the year	1,369
Effect of changes in foreign exchange rates	<u>53</u>
Balance on December 31, 2018	<u>\$ 6,075</u>
Carrying amount:	
Balance on December 31, 2019	<u>\$ 126,075</u>
Balance on January 1, 2018	<u>\$ 63,518</u>
Balance on December 31, 2018	<u>\$ 62,769</u>
Fair value:	
Balance on December 31, 2019	<u>\$ 137,250</u>
Balance on December 31, 2018	<u>\$ 71,077</u>

- (i) Parts of the Group's offices were leased to third parties. The fair value of the investment properties is measured at the market price.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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- (ii) As of December 31, 2019, investment properties of the Group had been pledged as collateral for long-term borrowings, please refer to note (8). As of December 31, 2018, the Group did not provide any investment properties as collaterals for its loans.
- (iii) As of December 31, 2019 and 2018, the fair value of investment properties was not valued by qualified independent appraiser. Instead, it is assessed based on the market value of transaction price of the real estate in the adjacent area, and the inputs of levels of fair value hierarchy was classified to level 3.

(m) Other non-current assets

The other non-current assets of the Group were as follows:

	December 31, 2019	December 31, 2018
Restricted assets	\$ 16,809	16,609
Refundable deposits	19,219	23,650
Computer software cost and others	<u>62,656</u>	<u>66,469</u>
	<u>\$ 98,684</u>	<u>106,728</u>

(n) Short-term borrowings

The short-term borrowings of the Group were as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	<u>\$ 1,038,339</u>	<u>881,068</u>
Unused short-term credit lines	<u>\$ 5,293,495</u>	<u>6,045,077</u>
Range of interest rates	<u>0.72%~4.35%</u>	<u>0.75%~4.568%</u>

For information on the Group's interest risk, foreign currency risk and liquidity risk, please see note 6(aa).

(o) Long-term borrowings

The details were as follows:

	December 31, 2019			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.80%~2.16%	2022.12~2034.12	\$ 543,944
Secured bank loans	SGD	2.27%~2.50%	2024.2	27,850
Less: current portion				<u>(62,412)</u>
Total				<u>\$ 509,382</u>
Unused long-term credit lines				<u>\$ -</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	December 31, 2018			Amount
	Currency	Rate	Maturity year	
Unsecured bank loans	TWD	1.81%~2.31%	2020.09~2032.08	\$ 475,664
Less: current portion				(48,720)
Total				\$ 426,944
Unused long-term credit lines				\$ -

(i) Issuance and repayments of long-term borrowings

The Group issued new long-term loans amounting to \$150,420 and \$16,200 in 2019 and 2018, respectively. The amount paid were \$54,386 and \$48,342 in 2019 and 2018, respectively.

(ii) As of December 31, 2019, the repayment schedule for the long-term borrowings was as follows:

Period	Amount
2020.1.1~2020.12.31	\$ 62,412
2021.1.1~2021.12.31	60,829
2022.1.1~2022.12.31	83,329
2023.1.1~2023.12.31	53,629
After 2024.1.1	311,595
	\$ 571,794

(iii) For the collateral for long-term borrowings, please refer to note 8.

(p) Lease liabilities

	December 31, 2019
Current	\$ 86,252
Non-current financial assets	\$ 293,681

For the maturity analysis, please refer to note (aa).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ 5,753
Variable lease payments not included in the measurement of lease liabilities	\$ 7,653
Expenses relating to short-term leases	\$ 37,302
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 19,513

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	\$ 147,927

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space, erecting solar power generation equipment and retail stores. The leases of office space typically run for a period of 1 to 20 years, of erecting solar power generation equipment for 20 years, and of retail stores for 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

(ii) Other leases

The Group leases vehicles, with lease terms of 1 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group also leases IT equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right of-use assets and lease liabilities for these leases.

(q) Provisions

	Warranties	Sales returns and allowances	Onerous contracts	Total
Balance at January 1, 2019	\$ 95,618	-	42,490	138,108
Provisions made during the period	117,505	-	-	117,505
Provisions used during the period	(8,823)	-	(41,993)	(50,816)
Provisions reversed during the period	(3,059)	-	(497)	(3,556)
Effect of changes in foreign exchange rates	(7,114)	-	-	(7,114)
Balance at December 31, 2019	\$ 194,127	-	-	194,127
Balance at January 1, 2018	\$ 71,741	-	-	71,741
Provisions made during the period	41,007	-	42,490	83,497
Provisions used during the period	(8,690)	-	-	(8,690)
Provisions reversed during the period	(6,650)	-	-	(6,650)
Effect of changes in foreign exchange rates	(1,790)	-	-	(1,790)
Balance at December 31, 2018	\$ 95,618	-	42,490	138,108

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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Provisions related to construction revenue and sales of products, and are assessed based on historical experience. The aforementioned provisions are expected to settle the majority of the liability over the next year.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract. Because the cost of performing a construction contract had exceeded the economic benefits expected, the Group recognized the provisions to response the cost of the construction contract.

(r) Operating leases

(i) Leases as lessee

Non-cancellable operating lease rentals payable at December 31, 2018 were as follows:

	December 31, 2018
Less than one year	\$ 51,369
Between one and five years	124,525
More than five years	<u>174,722</u>
	<u>\$ 350,616</u>

The Group leased several office space, warehouses, machines and buildings for erecting solar power generation equipment under operating leases with lease terms of 1 to 20 years and had an option to renew the leases. There is no significant non-cancellable operating lease contracts except for building lease contracts mentioned below.

The lease period of the building lease contracts for erecting solar power generation equipment systems is 20 years. According to the contracts, the monthly rent is 7% of the revenue which Taiwan Power Company paid to the Group for sale of power.

The office space and buildings were combined leases of the land and buildings. The rent paid to the lessor is increased to market rent at regular intervals, and ownership of the land and buildings were not transferred. As a result, it was determined that substantially, all the risks and rewards of the land and buildings are attributed to the lessor. Therefore, the Group determined that the land, office space, and building leases are accounted for as operating leases.

For the year ended December 31, 2018, expenses recognized in profit or loss in respect of operating leases amounted to \$119,505.

(ii) Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(l) sets out information about the operating leases of investment property.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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A maturity analysis of lease payments at December 31, 2019, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	<u><u>\$ 2,663</u></u>

The future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	\$ 2,043
Between one and five years	<u>1,533</u>
	<u><u>\$ 3,576</u></u>

Rental income from investment properties were \$3,665 and \$1,951 in 2019 and 2018, respectively. The depreciation arising from investment properties amounting to \$2,627 and \$1,369, respectively, were recognized as a reduction of rental income.

(s) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan assets at present value were as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ (252,604)	<u>(247,761)</u>
Fair value of plan assets	<u>47,908</u>	<u>48,967</u>
Net defined benefit liabilities	<u><u>\$ (204,696)</u></u>	<u><u>(198,794)</u></u>

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$47,908 as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ (247,761)	(232,212)
Current service costs and interest costs	(6,497)	(6,396)
Benefits paid	5,613	-
Remeasurements of net defined benefit liabilities	<u>(3,959)</u>	<u>(9,153)</u>
Defined benefit obligations at December 31	<u>\$ (252,604)</u>	<u>(247,761)</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 48,967	44,747
Contributions paid by the employer	2,323	2,400
Expected return on plan assets	500	580
Benefits paid	(5,536)	-
Remeasurements of net defined benefit liabilities	<u>1,654</u>	<u>1,240</u>
Fair value of plan assets at December 31	<u>\$ 47,908</u>	<u>48,967</u>
Actual return on plan assets	<u>\$ 2,154</u>	<u>1,820</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 3,280	2,789
Net interest of net liabilities for defined benefit obligations	<u>2,717</u>	<u>3,027</u>
	<u>\$ 5,997</u>	<u>5,816</u>
Selling expenses	144	195
Administrative expenses	<u>5,853</u>	<u>5,621</u>
	<u>\$ 5,997</u>	<u>5,816</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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- 5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group's re-measurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ 51,210	43,297
Recognized during the period	<u>2,305</u>	<u>7,913</u>
Accumulated amount at December 31	<u>\$ 53,515</u>	<u>51,210</u>

- 6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.000 %	1.375 %
Future salary increases rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is \$2,400.

The weighted-average lifetime of the defined benefit plan is 14.81 years.

- 7) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate	\$ (5,915)	6,131
Future salary increasing rate	5,883	(5,708)
December 31, 2018		
Discount rate	(6,128)	6,361
Future salary increasing rate	6,132	(5,940)

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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for this period and previous period.

(ii) Defined contribution plans

The domestic Group entities allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the domestic Group entities allocate a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The domestic Group entities recognized the pension costs under the defined contribution method amounting to \$40,749 and \$40,340 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$14,567 and \$12,680 for the years ended December 31, 2019 and 2018, respectively.

(t) Income taxes

(i) Income tax expenses

1) The components of income tax for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 377,018	287,940
Unappropriated earnings	<u>23,613</u>	<u>10,872</u>
	400,631	298,812
Deferred tax expense		
Origination and reversal of temporary differences	90,615	124,164
Adjustment in tax rate	<u>-</u>	<u>(9,587)</u>
	<u>90,615</u>	<u>114,577</u>
Income tax expense	<u>\$ 491,246</u>	<u>413,389</u>

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- 2) The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plans	\$ (461)	(2,882)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>(14,632)</u>	<u>(3,422)</u>
	<u>\$ (15,093)</u>	<u>(6,304)</u>

- 3) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	\$ <u>2,208,199</u>	<u>1,794,977</u>
Income tax calculated based on local tax rate	540,783	418,037
Estimated tax effect of tax exemption on other income and domestic investment income, net	(103,069)	(82,957)
Adjustment in tax rate	-	(9,587)
Changes in unrecognized deferred tax assets	42,574	77,567
Estimated difference adjustment and others	(12,655)	(543)
Unappropriated earnings	<u>23,613</u>	<u>10,872</u>
	<u>\$ 491,246</u>	<u>413,389</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

The Group's deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Tax effect of deductible temporary differences	\$ 39,453	22,209
Tax carryforward of unused tax losses	<u>224,550</u>	<u>199,220</u>
	<u>\$ 264,003</u>	<u>221,429</u>

Deferred tax assets were not recognized because the deductible temporary differences may not be realized in the future.

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2019, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Unused tax loss</u>
2010 (Assessed)	2020	\$ 1,006
2011 (Assessed)	2021	4,710
2012 (Assessed)	2022	22,970
2013 (Assessed)	2023	49,108
2014 (Assessed)	2024	94,536
2015 (Assessed)	2025	177,546
2016 (Assessed)	2026	106,189
2017 (Assessed)	2027	282,520
2018 (Filed/Assessed)	2028	249,122
2019 (Estimated)	2029	135,041
		<u>\$ 1,122,748</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	<u>Defined benefit plan</u>	<u>Foreign investment loss under equity method</u>	<u>Loss on inventory valuation</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2019	\$ 40,627	35,411	1,207	31,543	108,788
Recognized in profit or loss	719	(706)	234	(8,345)	(8,098)
Recognized in other comprehensive income	461	-	-	14,632	15,093
Balance on December 31, 2019	<u>\$ 41,807</u>	<u>34,705</u>	<u>1,441</u>	<u>37,830</u>	<u>115,783</u>
Balance on January 1, 2018	\$ 32,607	30,237	450	45,781	109,075
Recognized in profit or loss	5,138	5,174	757	(17,660)	(6,591)
Recognized in other comprehensive income	2,882	-	-	3,422	6,304
Balance on December 31, 2018	<u>\$ 40,627</u>	<u>35,411</u>	<u>1,207</u>	<u>31,543</u>	<u>108,788</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	Foreign investment income under equity method	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2019	\$ 276,316	84	276,400
Recognized in profit or loss	<u>81,813</u>	<u>704</u>	<u>82,517</u>
Balance on December 31, 2019	<u>\$ 358,129</u>	<u>788</u>	<u>358,917</u>
Balance on January 1, 2018	\$ 167,899	515	168,414
Recognized in profit or loss	<u>108,417</u>	<u>(431)</u>	<u>107,986</u>
Balance on December 31, 2018	<u>\$ 276,316</u>	<u>84</u>	<u>276,400</u>

(iii) The ROC tax authorities have examined the income tax returns of the Company, as well as Chien Yueh, Jing Yang, Jia Yi Energy, Kuan Yueh Technology, General Precise, Anyong Biotechnology, Topco International Investment, Anyong Lohas and Taiwan E&M though 2017; and also those of Jing Chen, Jing Yueh Energy, Multi Rich Technology, Anyong Fresh Mart, Kanbo Biomedical, Topco Investment, Topchem Materials, Ding Yue Solar, Advanced Fishery, Xiang Yueh, Cityspace and Min Jen Restaurant through 2018.

(u) Capital and other equities

(i) Common stock

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 200,000 thousand shares and 190,000 thousand shares, respectively, with par value of New Taiwan dollars \$10 per share. The total value of authorized ordinary shares was amounted to \$2,000,000 and \$1,900,000, respectively (both including \$100,000 for the issuance of employee stock options). As of that date, 181,700 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Share capital	\$ 2,339,175	2,339,175
Stock option-fair value differences of associates and joint ventures accounted under equity method	1,185	1,185
Others	<u>316</u>	<u>319</u>
	<u>\$ 2,340,676</u>	<u>2,340,679</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

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According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, 10% of the Company's annual net income after paying all taxes and deducting losses from the prior years, if any, should be set aside as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings. The earnings appropriation proposal to distribute dividends shall be proposed by the Board of Directors and approved by the shareholder's meeting. The Board of Directors are entitled to distribute all or a portion of the dividends, or distribute all or a portion of legal reserve and capital reserve, in cash, when more than two-third of the directors are present at the Board of Directors, and more than half of whom agree. The Shareholders' meeting should be served a notice in such situation.

According to the Company's dividend policy, the type of dividends should be determined after considering the remaining portion of retained earnings, the business environment, etc. The dividends could be paid whether by cash or stock. No less than 10% of total stockholders' dividends may be distributed in the form of cash dividends. Any remaining profit didn't distributed in the form of cash dividends could be distributed in the form of stock dividends according to the Company's articles proposed by the board of directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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3) Earnings distribution

Earnings distribution for 2018 and 2017 was approved by the shareholders during their annual meeting held on June 10, 2019 and June 11, 2018, respectively. The relevant information was as follows:

	2018		2017	
	Amount per share NT (dollars)	Total amount	Amount per share NT (dollars)	Total amount
Dividends distributed to common shareholder:				
Cash dividends	\$ 5.3	<u>963,008</u>	4.2	<u>763,138</u>

On March 27, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share NT (dollars)	Total amount
Dividends distributed to common shareholder:		
Cash dividends	\$ 6.5	<u>1,181,047</u>

The information earning distribution can be accessed from the Market Observation Post System after the shareholders' meeting.

4) Other equity

	Exchange differences on translation of foreign financial statements	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (45,044)	-	284,188	239,144
Exchange differences on foreign operations:				
The Group	(58,547)	-	-	(58,547)
Associates	(145)	-	-	(145)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	252,491	252,491
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	4,251	4,251
Balance on December 31, 2019	<u>\$ (103,736)</u>	<u>-</u>	<u>540,930</u>	<u>437,194</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Exchange differences on translation of foreign financial statements	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2018	\$ (37,245)	-	210,678	173,433
Exchange differences on foreign operations:				
The Group	(7,713)	-	-	(7,713)
Associates	(86)	-	-	(86)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	17,423	17,423
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	56,087	56,087
Balance on December 31, 2018	<u>\$ (45,044)</u>	<u>-</u>	<u>284,188</u>	<u>239,144</u>

(v) Earnings per share

The calculation of basic and diluted earnings per share for the years 2019 and 2018 are as follows:

	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,722,308</u>	<u>1,404,675</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>181,700</u>	<u>181,700</u>
Basic earnings per share (dollars)	\$ <u>9.48</u>	<u>7.73</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,722,308</u>	<u>1,404,675</u>
Weighted-average number of outstanding ordinary shares (thousands)	181,700	181,700
Effect of dilutive potential ordinary shares (thousands)		
Effect if employee share bonuses	<u>1,103</u>	<u>1,251</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>182,803</u>	<u>182,951</u>
Diluted earnings per share (dollars)	\$ <u>9.42</u>	<u>7.68</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	2018			Total
	Semiconductor and electronics divisions	Environmental engineering group	Other divisions	
Timing of revenue recognition				
Products transferred at a point in time	\$ 23,642,067	283,586	403,386	24,329,039
Services transferred over time	769,152	95,946	14,869	879,967
Constructions transferred over time	-	3,652,193	-	3,652,193
	<u>\$ 24,411,219</u>	<u>4,031,725</u>	<u>418,255</u>	<u>28,861,199</u>

For details on revenue for the year ended December 31, 2017, please refer no note(6)(y).

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (including related parties)	\$ 5,217,254	4,969,062	3,834,396
Less: allowance for impairment	24,856	24,314	24,435
Total	<u>\$ 5,192,398</u>	<u>4,944,748</u>	<u>3,809,961</u>
Contract assets -- construction	<u>\$ 581,421</u>	<u>494,353</u>	<u>141,139</u>
Contract liabilities -- construction	\$ 534,797	493,595	378,422
Contract liabilities -- unearned revenue	207,004	210,813	481,522
Total	<u>\$ 741,801</u>	<u>704,408</u>	<u>859,944</u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in contract liability balance at the beginning of the period were \$617,063 and \$522,409, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no significant changes for the year ended December 31, 2019.

(x) Remuneration to employees, directors and supervisors

The Company's articles of incorporation require that earning shall first be offset against any deficit, then, a minimum of 4% net profit before tax will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018, the Company estimated its employees', directors' and supervisors' remuneration amounting to \$117,127 and \$96,802, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2019 and 2018. The numbers of shares to be distributed for 2019 and 2018 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2019 and 2018.

(y) Other income

The details of other income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 27,138	18,058
Dividend income	30,934	23,832
Government grants	15,248	10,857
Other	<u>9,478</u>	<u>13,392</u>
	<u>\$ 82,798</u>	<u>66,139</u>

(z) Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Foreign currency exchange gains (losses), net	\$ (19,282)	(6,667)
Gain (losses) on financial assets at fair value through profit or loss, net	1,962	(14,446)
Gains (losses) on disposal of property, plant and equipment	(6,801)	(1,165)
Other	<u>(3,545)</u>	<u>(16,012)</u>
	<u>\$ (27,666)</u>	<u>(38,290)</u>

(aa) Financial instruments

(i) Credit risk

1) Credit risk – exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration to credit risk

The customers of the Group are diverse instead of concentrating on specific customers; therefore, the Group has not suffered any significant credit loss. The Group periodically evaluates the financial positions of these customers to reduce the credit risk of accounts receivables.

3) Receivables and debt securities

For credit risk exposure of note and account receivables, please refer to note (6)(d). Other financial assets at amortized cost includes other receivables.

These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). There were no change in the loss allowance provision as of December 31, 2019 and 2018.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2019					
Non-derivative financial liabilities					
Short-term and long-term borrowings	\$ 1,610,133	(1,610,133)	(1,100,751)	(60,829)	(448,553)
Notes and accounts payable (including related parties)	5,718,139	(5,718,139)	(5,718,139)	-	-
Accrued expenses and other payables	181,648	(181,648)	(181,648)	-	-
Lease liabilities (including current and non-current)	<u>379,933</u>	<u>(408,312)</u>	<u>(91,414)</u>	<u>(68,282)</u>	<u>(248,616)</u>
	<u>\$ 7,889,853</u>	<u>(7,918,232)</u>	<u>(7,091,952)</u>	<u>(129,111)</u>	<u>(697,169)</u>

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2018					
Non-derivative financial liabilities					
Short-term and long-term borrowings	\$ 1,356,732	(1,356,732)	(929,788)	(121,720)	(305,224)
Notes and accounts payable (including related parties)	5,233,069	(5,233,069)	(5,233,069)	-	-
Accrued expenses and other payables	207,296	(207,296)	(207,296)	-	-
	<u>\$ 6,797,097</u>	<u>(6,797,097)</u>	<u>(6,370,153)</u>	<u>(121,720)</u>	<u>(305,224)</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

(in thousands)

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
USD	\$ 93,822	USD/TWD= 29.98	2,812,784	45,788	USD/TWD= 30.715	1,406,378
USD	52,199	USD/CNY= 6.964	1,564,927	46,971	USD/CNY= 6.8683	1,442,716
JPY	3,446,150	JPY/TWD= 0.276	951,137	3,170,933	JPY/TWD= 0.2782	882,154
JPY	566,061	JPY/CNY= 0.0641	156,205	536,479	JPY/CNY= 0.0622	149,226
Financial liabilities						
USD	\$ 62,544	USD/TWD= 29.98	1,875,069	40,820	USD/TWD= 30.715	1,253,786
USD	53,691	USD/CNY= 6.964	1,609,657	53,550	USD/CNY= 6.8683	1,644,790
JPY	3,300,450	JPY/TWD= 0.276	910,924	2,853,773	JPY/TWD= 0.2782	793,920
JPY	303,908	JPY/CNY= 0.0641	83,864	434,825	JPY/CNY= 0.0622	120,950

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account and other receivables, loans and borrowings, and account and other payables that are denominated in foreign currency. A appreciation (depreciation) of 5% of the each major foreign currency against Group entities' functional currency as of December 31, 2019 and 2018 would have influenced the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
USD (against the TWD)		
Appreciation 5%	\$ 46,886	7,630
Depreciation 5%	(46,886)	(7,630)
JPY (against the TWD)		
Appreciation 5%	2,011	4,412
Depreciation 5%	(2,011)	(4,412)
USD (against the CNY)		
Appreciation 5%	(2,237)	(10,104)
Depreciation 5%	2,237	10,104
JPY (against the CNY)		
Appreciation 5%	3,617	1,414
Depreciation 5%	(3,617)	(1,414)

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. Foreign exchange gain (loss) (including realized and unrealized portions) were as follows:

	<u>2019</u>	<u>2018</u>
Foreign exchange gains (losses) (including realized and unrealized portions)	\$ <u>(19,282)</u>	<u>(6,667)</u>

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Variable rate instruments:		
Financial assets	\$ 2,036,972	1,930,851
Financial liabilities	1,339,351	990,163

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by the amounts listed below for the years ended December 31, 2019 and 2018, respectively, which would be mainly resulted from the bank savings, time deposits with variable interest rates and short-term and long-term borrowings with variable interest rates.

	December 31, 2019	December 31, 2018
Interest rate increased by 0.25%	\$ 1,744	2,352
Interest rate decreased by 0.25%	(1,744)	(2,352)

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

	December 31, 2019				Total
	Book value	Fair value			
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss-beneficiary certificate Funds	\$ 197,100	197,100	-	-	197,100
Non derivative financial assets mandatorily measured at fair value through profit or loss-unlisted common shares	72,441	-	-	72,441	72,441
Non derivative financial assets mandatorily measured at fair value through profit or loss-convertible bonds	7,843	7,843	-	-	7,843

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	December 31, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Non derivative financial assets mandatorily measured at fair value through profit or loss-convertible bonds	7,950	7,950	-	-	7,950
Non derivative financial assets mandatorily measured at fair value through profit or loss-foreign unlisted funds	<u>16,303</u>	-	-	16,303	16,303
Subtotal	<u>319,288</u>				
Financial assets at fair value through other comprehensive income	<u>581,475</u>	3,372	-	578,103	581,475
Financial assets measured at amortized cost					
Cash and cash equivalents	2,480,878	-	-	-	-
Notes and accounts receivable (including related parties)	4,944,748	-	-	-	-
Other current financial assets	151,849	-	-	-	-
Other non-current assets (refundable deposits and pledged assets-time deposits)	<u>40,259</u>	-	-	-	-
Subtotal	<u>7,617,734</u>				
Total	<u>\$ 8,518,497</u>				
Financial liabilities at amortized cost through profit or loss					
Long-term and short-term borrowings	\$ 1,356,732	-	-	-	-
Notes and accounts payable (including related parties)	5,233,069	-	-	-	-
Accrued expenses and other payables	<u>207,296</u>	-	-	-	-
Total	<u>\$ 6,797,097</u>				

2) Valuation techniques for financial instruments not measured at fair value

The Group valuation techniques and assumptions used for financial instrument not measured at fair value are as follows:

a) Financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and the government bond with high trading volume can be used as a basis to determine the fair value of the listed companies' equity instrument and the debt instrument of the quoted price in an active market.

4) Transfer from one level to another

There was no transfers from one level to another in 2019 and 2018.

5) Reconciliation of Level 3 fair value

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Equity investment without quoted price	Debt investment without quoted price	Equity investment without quoted price	
Balance on January 1, 2019	\$ 16,850	74,281	578,103	669,234
Total gains and losses recognized:				
In profit (loss)	2,106	(1,226)	-	880
In other comprehensive income	-	-	253,180	253,180
Purchased	-	13,462	-	13,462
Disposal	(1,000)	-	(1,733)	(2,733)
Proceeds of capital reduction of investment	-	(1,219)	-	(1,219)
Balance on December 31, 2019	<u>\$ 17,956</u>	<u>85,298</u>	<u>829,550</u>	<u>932,804</u>
Balance on January 1, 2018	\$ 24,335	63,130	541,499	628,964
In profit (loss)	(7,485)	(7,246)	-	(14,731)
In other comprehensive income	-	-	27,254	27,254
Purchased	-	19,617	9,350	28,967
Proceeds of capital reduction of investment	-	(1,220)	-	(1,220)
Balance on December 31, 2018	<u>\$ 16,850</u>	<u>74,281</u>	<u>578,103</u>	<u>669,234</u>

6) The quantified information on significant unobservable inputs (level 3) used in fair value measurement

The Group's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income— equity instruments and financial assets at fair value through profit or loss— equity securities investment.

Most of fair value measurements of the Group which are categorized as equity investment into level 3 have single significant unobservable inputs, and equity investments without quoted price have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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The quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investment without quoted price	Comparable market approach	Price Book ratio multiples. (7.07~61.72 and 5.97~40.13 respectively on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.
		Lack of marketability discount rate (20% both on December 31, 2019 and 2018)	The higher the lack of marketability discount rate is, the lower the fair value will be.
	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss – equity investment without quoted price	Comparable market approach	Price Book ratio multiples.(8.43 and 5.97~40.13 respectively on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.
		Lack of marketability discount rate (20% both on December 31, 2019 and 2018)	The higher the lack of marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss – debt investment without quoted price	Net asset value method	Net asset value	Inapplicable

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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	Input	Move up or down	Impacts of fair value change on net income or loss		Impacts of fair value change on other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2019						
Financial assets at fair value through other comprehensive income						
Equity investment without quoted price	P/B ratio	5%	\$ -	-	41,522	41,522
	Lack of marketability discount	5%	\$ -	-	51,862	51,862
Financial assets at fair value through profit or loss						
Equity investment without quoted price	P/B ratio	5%	\$ 895	895	-	-
	Lack of marketability discount	5%	\$ 1,129	1,129	-	-
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Equity investment without quoted price	P/B ratio	5%	\$ -	-	28,786	28,778
	Lack of marketability discount	5%	\$ -	-	35,948	35,941
Financial assets at fair value through profit or loss						
Equity investment without quoted price	P/B ratio	5%	\$ 819	829	-	-
	Lack of marketability discount	5%	\$ 1,041	1,030	-	-

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ab) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Group continued to assess the financial condition and credit risk of its customers, by grouping account and other receivables based on their characteristics.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries, companies that the Group has business with, and the investees, based on the percentage of ownership by each shareholder. As of December 31, 2019 and 2018, no the guarantees were provided to non-subsidiaries. The guarantees provided to subsidiaries please refer to note 13(a).

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The loans and borrowings from the bank is an important source of liquidity for the Group. The Group's unused credit line were amounted to \$5,293,495 and \$6,045,077 as of December 31, 2019 and 2018, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily USD and JPY.

2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow.

3) Other price risk

The Group is exposed to equity price risk arising from mutual funds, listed companies' equity investments and emerging stock investments.

(ac) Capital management

The policy of Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors the capital structure by way of periodical review on the liability ratio. The management decides to optimize its capital by using appropriate debt-to-equity ratio. The capital of the Group represents the total equity stated in the consolidated balance sheets that is equal to the total assets, minus, total liabilities.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2019 and 2018, the liability ratio was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total liabilities	\$ 10,108,390	8,650,837
Total assets	19,639,504	17,237,405
Liability ratio	52 %	50 %

As of December 31, 2019, there were no changes in the Group's approach to capital management.

(ad) Investing and financial activities not affecting current cash flow

The Group's investing and financial activities, which did not affect its current cash flow in the year ended December 31, 2019, included the acquisition of right-of-use assets through lease. Please refer to note 6(k) for details.

There is no non-cash investing and financing activities in the year ended December 31, 2018. Reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2019</u>
			<u>Additions of leases</u>	<u>Cancellation of leases</u>	<u>Foreign exchange movement</u>	
Short term borrowings	\$ 881,068	157,271	-	-	-	1,038,339
Long term borrowings	475,664	96,034	-	-	96	571,794
Lease liabilities	364,697	(77,706)	108,361	(14,768)	(651)	379,933
Guarantee deposits received	4,836	(2,612)	-	-	-	2,224
Total liabilities from financing activities	<u>\$ 1,726,265</u>	<u>172,987</u>	<u>108,361</u>	<u>(14,768)</u>	<u>(555)</u>	<u>1,992,290</u>

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>December 31, 2018</u>
Short term borrowings	\$ 786,804	94,264	881,068
Long term borrowings	507,806	(32,142)	475,664
Guarantee deposits received	4,890	(54)	4,836
Total liabilities from financing activities	<u>\$ 1,299,500</u>	<u>62,068</u>	<u>1,361,568</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Topco Quartz Products Co., Ltd. (Topco Quartz)	An associate
Fortune Energy Corporation (Fortune)	An associate
Bon Vivant Corporation (Bon Vivant)	An associate
Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu Handotai Taiwan)	The Company is the institutional director of the related party
Shin-Etsu Opto Electronic Co., Ltd. (Shin-Etsu Opto Electronic)	The Company is the institutional director of the related party

(b) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 182,849	155,466
Post-employment benefits	4,832	4,979
	<u>\$ 187,681</u>	<u>160,445</u>

(c) Significant transactions with related party

(i) Sales

1) The amounts of significant sales by the Group to related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates	\$ 134,320	128,444
Other related parties	41,861	44,698
	<u>\$ 176,181</u>	<u>173,142</u>

2) The amounts of significant construction revenue and rendering of services by the Group to related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates:		
Topco Quartz	\$ 174,174	115,344
Other related parties:		
Shin-Etsu Handotai Taiwan	293,382	260,536
Other related parties	396	271
	<u>\$ 467,952</u>	<u>376,151</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was within 30 to 90 days after monthly closing, and within 30 to 90 days after monthly closing for third-party customers. The terms of services provided to relate parties is based on the contracts signed between both parties, and there is no significant difference between the related parties and the third-parties. Accounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates	\$ 631,275	874,521
Other related parties:		
Shin-Etsu Handotai Taiwan	5,706,167	5,330,902
Other related parties	<u>17,053</u>	<u>21,685</u>
	<u>\$ 6,354,495</u>	<u>6,227,108</u>

Purchase prices from related parties were similar to those from third-party suppliers. The payment period were within 30 to 90 days after monthly closing for related parties, and within 30 to 90 days after monthly closing for third-related.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	Associates:		
Accounts receivable	Topco Quartz	\$ 65,274	42,109
	Other related parties:		
Accounts receivable	Shin-Etsu Handotai Taiwan	52,883	51,189
Accounts receivable	Other related parties	<u>116</u>	<u>69</u>
		<u>\$ 118,273</u>	<u>93,367</u>

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Accounts</u>	<u>Relationship</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	Associates :		
Accounts payable	Topco Quartz	\$ 162,640	131,404
	Other related parties:		
Accounts payable	Shin-Etsu Handotai Taiwan	1,487,151	1,561,796
Accounts payable	Other related parties	<u>5,851</u>	<u>11,071</u>
		<u>\$ 1,655,642</u>	<u>1,704,271</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other current financial assets – time deposits	Guarantees for construction contracts, coupons and credit card readers	\$ 56,585	91,501
Other non-current assets – time deposits	Pledge lodged in court for the application for revocation of provisional attachment, security deposit for litigation, and guarantees for long term borrowings	16,809	16,609
Investment properties	Guarantees for long term borrowings	65,230	-
		<u>\$ 138,624</u>	<u>108,110</u>

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitments as follow:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commitments for construction contracts	\$ 1,007,307	855,449
Bank guarantees to construction contracts	\$ 738,516	332,918

(b) The Group's unused and outstanding letters for purchasing are as follow:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unused and outstanding letters of credit	\$ 1,148,985	794,660

(c) Refer to note 13(a) for the disclosure of guarantees provided to associates by the Group.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	198,536	1,158,959	1,357,495	208,953	1,053,289	1,262,242
Labor and health insurance	18,608	70,496	89,104	19,508	68,617	88,125
Pension	6,427	54,886	61,313	6,899	51,937	58,836
Others	6,242	64,863	71,105	5,430	67,053	72,483
Remuneration of directors	-	19,685	19,685	-	16,263	16,263
Depreciation	85,457	177,488	262,945	65,297	91,768	157,065
Amortization	-	12,904	12,904	3	7,349	7,352

Notes: For the years ended December 31, 2019 and 2018, the depreciation arising from investment properties amounting to \$2,627 and \$1,369, respectively.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 1)	Maximum limit of fund financing (note 1)
													Item	Value		
0	Topco Suzhou	Topco Chemical	Other current financial assets	Yes	223,600	-	-	4.35%-4.946%	Short-term financing	-	Operating demand	-	-	-	389,730	584,595

Note 1 : According to Topco Suzhou's "Operational Procedures for Lending of Capital to Others", the total amount of loans to the parent company's 100% directly or indirectly owned overseas subsidiaries or the amount to a single enterprise among them shall not exceed 150% and 100%, respectively, of the net monetary amount of the financial reports of the latest month when transaction occurs. The period of loans for funding shall not exceed three years.

Note 2 : The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	"	Anyong Freshmart	(Note 2)	(Note 3)	12,000	12,000	2,713	-	0.13 %	(Note 3)	Y	-	-
"	"	Topchem Materials	(Note 2)	(Note 3)	100,000	100,000	-	-	1.05 %	(Note 3)	Y	-	-
"	"	Jing Chen	(Note 2)	(Note 3)	94,788	83,052	81,252	-	0.87 %	(Note 3)	Y	-	-
"	"	Jing Yang	(Note 2)	(Note 3)	97,000	85,000	85,000	-	0.89 %	(Note 3)	Y	-	-
"	"	Topscience(s)	(Note 2)	(Note 3)	298,610	298,610	117,792	-	3.14 %	(Note 3)	Y	-	-
"	"	JiaYi Emery	(Note 2)	(Note 3)	282,177	182,177	45,752	-	1.92 %	(Note 3)	Y	-	-
"	"	Chien Yueh	(Note 2)	(Note 3)	1,786,856	1,786,856	797,577	-	18.78 %	(Note 3)	Y	-	-
"	"	Jing Yueh Energy	(Note 2)	(Note 3)	220,397	172,107	171,081	-	1.81 %	(Note 3)	Y	-	-
"	"	Kuan Yueh Technology	(Note 2)	(Note 3)	497,478	407,517	230,611	-	4.28 %	(Note 3)	Y	-	-
"	"	Topco Trading	(Note 2)	(Note 3)	92,310	-	-	-	- %	(Note 3)	Y	-	Y
"	"	Topchem Materials	(Note 2)	(Note 3)	138,090	64,575	-	-	0.68 %	(Note 3)	Y	-	Y
"	"	Topco Shanghai	(Note 2)	(Note 3)	781,440	731,840	258,782	-	7.69 %	(Note 3)	Y	-	Y
"	"	Topco Suzhou	(Note 2)	(Note 3)	1,711,137	1,321,428	608,598	-	13.89 %	(Note 3)	Y	-	Y
"	"	Shanghai Chongyao	(Note 2)	(Note 3)	1,905,628	1,219,829	1,029,140	-	12.82 %	(Note 3)	Y	-	Y

Note 1 : The Company is coded as "0", and its subsidiaries are coded consecutively in a numerical order starting from "1"

Note 2 : Investee companies which have 50% of ordinary shares, directly or indirectly, owned by the Company.

Note 3 : According to the Company's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed \$15,219,542, which is 160% of the net value of the Company's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed \$9,512,214, which is the net value of the Company's latest financial reports.

Note 4 : The maximum amount of sharing guarantees and endorsements is CNY\$200,000, the maximum amount for guarantees and endorsements are for Topco Shanghai CNY\$30,000, Topco Suzhou CNY\$95,000, Shanghai Chongyao CNY\$60,000, and Topco Chemical CNY\$15,000, respectively.

Note 5 : The balance of guarantees and endorsements as of reporting date which duplicate calculation because the board meeting convening in advance and extending contracts are for Topco Shanghai \$149,900, Topco Suzhou \$149,900, Chien Yuen \$200,000, Topscience(s)\$179,880, and Topchem Materials \$50,000, respectively.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Fund: Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	665	8,374	-	8,374	665	-	
"	Stock: Eversol Corporation	None	Non-current financial assets at fair value through other comprehensive income	230	-	8.21	-	230	8.21	
"	Shin-Etsu Opto Electronic	The company is the institutional directors of the related party	"	2,000	48,340	10.00	48,340	2,000	10.00	
"	Shin-Etsu Handotai Taiwan	"	"	12,000	740,640	8	740,640	12,000	8	
"	Everglory Resource Technology Co., Ltd.	None	"	2,000	18,060	8.18	18,060	2,000	8.18	

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Tenx Technology, Inc.	"	"	728	5,147	2.56	5,147	1,040	2.56	
"	ProMOS Technologies Inc.	"	"	71	618	0.16	618	71	0.16	
"	EGGAS ASIA CORP LTD	"	"	-	-	-	-	10	10	
"	TSEC Corporation	"	"	-	-	-	-	519	0.11	
"	Top Taiwan V Venture Capital Co., Ltd.	"	Non-current financial assets at fair value through profit or loss	569	865	4.07	865	691	4.07	
"	Grand Fortune	"	"	3,000	32,970	4.12	32,970	3,000	4.12	
"	Other:									
The Company	LEAP FUND L.P.	"	Non-current financial assets at fair value through profit or loss	-	30,813	14.75	30,813	-	19.87	
"	Stock:									
Topco International Investment Co., Ltd	Win Win Precision Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	734	11,291	1.61	11,291	734	1.61	
"	Mylight Technology Co., Ltd. (Mylight)	"	"	250	-	0.76	-	250	0.76	
"	Archers Inc.	"	"	625	-	1.93	-	625	1.93	
"	Ultradmed Technology Co., Ltd.	"	"	100	1,507	5.26	1,507	100	5.26	
"	EXL Energy Solutions Holding Co., Ltd	"	"	250	-	13.16	-	250	13.16	
"	Sunergy development corporation	"	"	285	43	19.00	43	285	19.00	
"	Mycropore Corporation Ltd.	"	"	400	3,904	2.39	3,904	400	2.39	
"	Syu Yang Technology Corporation	"	Non-current financial assets at fair value through profit or loss	30	-	10.00	-	30	10.00	
"	TAIYING RESOURCE INDUSTRIAL CORP.	"	"	2,130	17,956	17.04	17,956	2,130	17.04	
"	Other:			-	-	-	-	-	-	
Topco International Investment Co., Ltd	E&R Engineering Corporation convertible bonds	None	Non-current financial assets at fair value through profit or loss	73	7,843	-	7,843	73	-	
"	Fund:									
Topco Investment	Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	146	2,178	-	2,178	146	-	
"	Stock:									
Topco Investment	Mylight	None	Non-current financial assets at fair value through other comprehensive income	250	-	0.76	-	250	0.76	
"	Hun Chun Venture Capital Corporation	"	Non-current financial assets at fair value through profit or loss	2,500	20,650	5.75	20,650	2,500	5.75	
"	Fund:									
Taiwan E&M	Taishin Ta-Chong Money Market	None	Current financial assets at fair value through profit or loss	3,679	52,460	-	52,460	3,679	-	
"	Mega Diamond Money Market Fund	"	"	4,176	52,585	-	52,585	4,176	-	
"	Franklin U.S. Government Money Fund	"	"	4,187	43,462	-	43,462	4,187	-	
"	FSITC Taiwan Money Market	"	"	1,317	20,239	-	20,239	1,317	-	
"	Fund:									
Cityspace	Eastspring Investments Well Pool Money Market Fund	None	Current financial assets at fair value through profit or loss	456	6,231	-	6,231	456	-	
"	Fund:									
Anyong Freshmart, INC	Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	338	5,031	-	5,031	338	-	
"	Victor Money Market Fund	"	"	431	5,005	-	5,005	431	-	
"	Fund:									
Ding Yue Solar	FSITC Money Market	None	Current financial assets at fair value through profit or loss	9	1,535	-	1,535	9	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	
The Company	Topco Quartz	The Company's investment accounted for using equity method	Purchase	549,488	3 %	Net 60 days from the end of the month of delivery	-	-	(146,118)	(5)%
"	"	"	Sale	(174,174)	(1)%	Net 60 days from the end of the month of delivery	-	-	33,007	1 %
"	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Sale	(309,604)	(2)%	Net 30 days from the end of the month of delivery	-	-	49,521	2 %
Topco Shanghai	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Purchase	5,644,078	83 %	Net 90 days from the end of the month of delivery	-	-	(1,469,146)	(88)%
General Precise	Topco Quartz	The Company's investment accounted for using equity method	Sale	(133,363)	(100)%	Net 90 days from the end of the month of delivery	-	-	32,268	99 %

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
0	The Company	Topco Shanghai	1	Sales Revenue	26,849	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.08 %
"	"	"	1	Accounts Receivable	6,082	"	0.03 %
"	"	Topco Trading	1	Sales Revenue	2,987	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery	0.01 %
"	"	Topco Suzhou	1	Other Receivable	6,410	There is no significant difference of price between general customers. Based on the agreement between both parties	0.03 %
"	"	"	1	Other non-operating Revenue	6,475	"	0.02 %

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
0	The Company	Anyong Lohas	1	Rental Revenue	8,750	There is no significant difference of price between general customers. Based on the agreement between both parties	0.03 %
"	"	Anyong Biotechnology	1	Rental Revenue	10,968	"	0.03 %
1	Jia Yi Energy	Kuan Yueh Technology	3	Amount due to customers for contract work	15,010	Based on the agreement between both parties	0.08 %
"	"	"	3	Accounts Receivable	9,508	"	0.05 %
"	"	"	3	Operating Revenue	97,165	"	0.31 %
"	"	Jing Yueh Energy	3	Operating Revenue	15,221	"	0.05 %
"	"	Jing Chen Energy	3	Accounts Receivable	3,203	"	0.02 %
"	"	"	3	Operating Revenue	5,029	"	0.01 %
"	"	Jing Yang Energy	3	Operating Revenue	2,329	"	0.01 %
2	Anyong Biotechnology	Anyong Fresh Mart.	3	Sales Revenue	14,906	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery.	0.05 %
3	Anyong Fresh Mart.	The Company	2	Sales Revenue	6,928	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery.	0.02 %
4	Anyong Lohas	Anyong Fresh Mart.	3	Sales Revenue	7,954	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.03 %
5	Topchem Materials	The Company	2	Sales Revenue	26,121	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.08 %
"	"	"	2	Accounts Receivable	3,667	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.02 %
6	Taiwan E&M	Topsience(s)	3	Sales Revenue	4,269	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.01 %
"	"	Topco Shanghai	3	Sales Revenue	2,467	"	0.01 %
7	Topco Japan	Topsience(s)	3	Sales Revenue	11,047	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.03 %
"	"	"	3	Unearned Revenue	2,179	"	0.01 %

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TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
8	Topsience(s)	The Company	2	Sales Revenue	2,096	There is no significant difference of price between general customers. Based on the agreement between both parties	0.01 %
"	"	Topchem Materials	3	Sales Revenue	4,332	"	0.01 %
9	Chien Yueh	Topco Suzhou	3	Sales Revenue	2,394	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery.	0.01 %

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions from the parent company to its subsidiaries.
- 2 represents the transactions between the subsidiaries and the parent company.
- 3 represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars and foreign currencies)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
The Company	Topco Quartz	Hsinchu County	Manufacture and repair of quartz equipment, quartz tube e.g.	99,232	99,232	13	40%	1,190,052	762,776	315,075	13	40 %	
	Taiwan E&M	Hsinchu City	Sales of electronic material	425,000	425,000	42,500	100%	493,582	54,889	54,889	42,500	100 %	Note 2
	Fortune	Taipei City	Clean up of waste and environmental management service	187,000	187,000	18,700	25%	338,403	134,665	33,631	18,700	25 %	
	Topco Group	Samoa	Investment activities	493,981	493,981	15,518	100%	2,220,600	455,792	455,792	15,518	100 %	Note 2
	Topco International Investment Co., Ltd	Taipei City	Investment activities	340,000	340,000	37,000	100%	291,888	32,214	32,258	37,000	100 %	"
	Topco Investment	Taipei City	Investment activities	210,000	210,000	21,000	100%	60,284	(24,994)	(24,994)	21,000	100 %	"
	Chien Yueh	Taipei City	Water purification and construction of dust-proof room	200,000	150,000	22,293	100%	255,511	33,339	33,650	22,293	100 %	"
	Winaico	Germany	Investment activities	184,929	184,929	5,000	28%	-	(97)	-	5,000	28 %	
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	440,000	360,000	19,882	99%	122,200	(53,445)	(53,017)	19,882	99 %	Note 2
	Winfull Bio-tech Co., Ltd.	Tainan City	Manufacture of organic fertilizer	35,000	35,000	3,500	39%	-	-	-	3,500	39 %	
	Anyong Fresh Mart.	Taipei City	Wholesale and retail sales of fishery products and supermarket operation	464,350	414,350	21,800	100%	75,641	(57,005)	(57,002)	21,800	100 %	Note 2
	Kanbo Biomedical	Taipei City	Sales of health food products	50,000	50,000	909	91%	1,302	(272)	(248)	909	91 %	"
	Kuan Yueh	Taipei City	Development of renewable energy project / Configure pipeline construction and device installation	19,000	19,000	2,328	21%	25,411	8,037	1,668	2,328	21 %	"

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
The Company	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	130,000	130,000	14,319	76%	76,607	(4,818)	(9,435)	14,319	76 %	"
	Xiang Yueh	Taipei City	Sports Training	30,000	30,000	600	100%	3,628	(62)	(62)	600	100 %	"
	Anyong Lohas	Yilan County	Restaurant and retail sales of food products	317,000	257,000	21,700	100%	97,413	(71,341)	(71,330)	25,700	100 %	"
	General Precise	Hsinchu County	Process and sales of quartz products	14,301	-	1,000	100%	26,423	23,225	12,122	3,400	100 %	"
Topco Group	Asia Topco	Mauritius	Investment activities	392,318 (USD13,086)	392,318 (USD13,086)	13,086	100%	1,527,961	365,282	Investment gain (losses) recognized by Topco Group	13,086	100 %	Note 2
	Topscience(s)	Singapore	Sales of parts of semiconductor and optoelectronic industries	11,140 (SGD500)	11,140 (SGD500)	500	100%	273,723	30,328	"	500	100 %	"
	Topco Trading	Hong Kong	Wholesale of semiconductor material and electronic material	44,970 (USD1,500)	44,970 (USD1,500)	1,500	100%	328,575	57,718	"	1,500	100 %	"
Topscience(s)	Topscience Vietnam	Vietnam	Sales of parts of semiconductor and optoelectronic industries	7,495 (USD250)	-	-	100%	5,125	(1,824)	Investment gain (losses) recognized by Topscience(s)	-	100 %	Note 2
	Anyong (s)	Singapore	Wholesale and retail sales of fishery products	-	-	-	100%	-	-	"	-	100 %	"
Topco International Investment Co., Ltd	Cityspace	Taipei City	Wholesale sales of cosmetics	12,000	12,000	1,267	67%	17,011	3,961	Investment gain (losses) recognized by Topco International Investment Co., Ltd	1,267	67 %	"
	Topco Japan	Japan	Sales of facilities of semiconductor and clean room	15,094	15,094	5	100%	2,478	277	"	5	100 %	"
	Kuan Yueh Technology	Taipei City	Development of renewable energy projects / Configure pipeline construction and device installation	87,000	87,000	8,885	79%	96,993	8,037	"	8,885	79 %	"
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	24,000	24,000	4,406	24%	45,111	(4,818)	"	(4,406)	24 %	"
	Kanbo Biomedical	Taipei City	Sales of health food products	5,000	5,000	91	9%	130	(272)	"	91	9 %	"
	Ruey Sheng Industrial Co., Ltd.	Samoa	Investment activities	4,197	4,197	142	36%	-	(320)	"	142	36 %	"
	DIO	Germany	Development of renewable energy project	23,849	23,849	592	100%	(126)	-	"	592	100 %	"
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	5,000	5,000	118	0.59%	725	(53,445)	"	196	1 %	"
	Topchem Materials	Taipei City	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	31,000	31,000	3,929	100%	61,764	19,923	"	3,929	100 %	"
	Topco International Investment Co., Ltd	Jing Yueh Energy	Taipei City	Development of renewable energy project	63,000	63,000	7,513	100%	81,619	5,140	Investment gain(losses) recognized by Topco International Investment Co., Ltd	7,513	100.00 %
Fortune		Taipei City	Clean up of waste and environmental management service	871	871	50	0.07%	950	134,665	"	50	0.07 %	"

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
Topco Investment	Multi Rich Technology	Taipei City	Wholesale of fishery products	20,500	20,500	2,050	98%	3,485	(683)	Investment gain(losses) recognized by Topco Investment	2,050	98 %	Note 2
	Ding Yue Solar	Taipei City	Development of renewable energy project	9,000	9,000	900	100%	4,172	(45)	"	900	100 %	"
	Advanced Fishery	Taipei City	Aquaculture and wholesale of fishery products	29,299	29,175	1,200	100%	4,499	(6,924)	"	3,000	100 %	"
	Bon vivant	Taipei City	Health Management consultant	-	5,000	-	-%	-	(1,275)	"	500	29 %	"
	Min Jen Restaurant	Taipei City	Restaurant	110,000	110,000	11,000	69%	22,684	(20,757)	"	11,000	69 %	Note 2
Jia Yi energy Co., Ltd	Jing Chen	Taipei City	Development of renewable energy project	66,050	61,050	7,086	100%	56,866	(16,186)	Investment gain(losses) recognized by Jia Yi energy	7,086	100 %	Note 2
	Jing Yang	Taipei City	"	70,497	70,497	6,300	100%	71,932	5,036	"	6,300	100 %	"
Taiwan E&M	General Precise	Hsinchu Country	Process and sales of quartz products	-	46,066	-	-%	-	23,225	Investment gain(losses) recognized by Taiwan E&M from January to July	3,400	100 %	Note 2

Note 1: The amounts in foreign currencies were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.
Note 2: The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of US Dollars and CNY)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Topco Shanghai	Wholesale of electronic material and equipment	263,524 (USD8,790) (Note 4)	Note 1	203,864 (USD6,800)	-	-	203,864 (USD6,800)	266,249 (USD8,615)	100 %	266,249 (USD8,615)	1,082,502 (USD36,107)	-
Shanghai Chongyao	"	55,965 (CNY13,000)	Note 5	Note 5	-	-	-	46,403 (RMB10,378)	100 %	46,403 (RMB10,378)	212,179 (RMB49,287)	-
Topco Suzhou	Water purification and construction of dust-proof room	80,946 (USD2,700)	Note 1	80,946 (USD2,700)	-	-	80,946 (USD2,700)	76,039 (USD2,460)	100 %	76,039 (USD2,460)	389,730 (USD13,000)	-
Topco Chemical	Wholesale and sales of chemical products	13,281 (USD443)	Note 1	13,281 (USD443)	-	-	13,281 (USD443)	22,947 (USD742)	100 %	22,947 (USD742)	48,524 (USD1,619)	-

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
389,530 (USD12,993) (Note 6)	494,160 (USD16,483)	(Note 7)

Note 1 : Investment in Mainland China companies through an investee established in a third region.

Note 2 : The investment gains and losses of the current period are recognized based on the financial statements which have been audited by CPA.

Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rate of USD29.980 and CNY4.305, respectively, based on the year-end date.

Note 4 : Including the capital increase transferred from retained earnings amounting to USD1,990 thousands.

Note 5 : Shanghai Chongyao is jointly invested by Topco Shanghai and Topco Suzhou, both of which are the sub-subsidiary of the Company.

Note 6 : Including the written-off investment funds of USD3,050 thousands.

Note 7 : The Company has acquired proof of compliance regarding the operational scope of the corporate headquarters issued by the Ministry of Economic Affairs. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

(a) General information

The basis of segmentation of the Group are different products and services. The reportable segments include advanced material division, semiconductor and electronics division and environmental engineering group. Other segments engage mainly in sales of used machine equipment business and retail sales. Segments revenue means revenue from external customers (includes sell products and other revenue, exclude investment revenue accounted for using equity method). There was no transfer of revenue between segments.

(b) Reportable segments and operating segment information

The Group did not allocate tax expense to the reportable segments. The amounts of the Group's reportable segments are the same as those in the reports used by the chief operating decision maker. The accounting policies for the operating segments are the same as those in Note 2. The profit or loss of the Group's operating segments is measured by profit or loss before tax, and is considered as the basis for performance assessment.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Semiconductor and electronics division	Environmental engineering group	Other divisions	Adjustment and elimination	Total
2019					
Revenue					
Revenue from external customers	\$ 27,324,978	3,876,038	499,500	-	31,700,516
Revenue from segments	-	-	-	-	-
Interest revenue	-	-	-	-	27,138
Total revenue	\$ 27,324,978	3,876,038	499,500	-	31,727,654
Interest expenses	-	-	-	-	30,669
Depreciation and amortization	122,286	9,919	143,644	-	275,849
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	-	-	-	-	348,306
Reportable segment profit or loss	\$ 1,816,195	236,993	155,011	-	2,208,199
2018					
Revenue					
Revenue from external customers	\$ 24,411,219	4,031,725	418,255	-	28,861,199
Revenue from segments	-	-	-	-	-
Interest revenue	-	-	-	-	18,058
Total revenue	\$ 24,411,219	4,031,725	418,255	-	28,879,257
Interest expenses	-	-	-	-	24,745
Depreciation and amortization	67,312	8,151	88,954	-	164,417
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	-	-	-	-	280,953
Reportable segment profit or loss	\$ 1,652,788	106,964	35,225	-	1,794,977

(c) Industry information

(i) Product and service information

The Group's segment information is based on different products and services. Product and service information does not have to be disclosed.

(ii) Geographical information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

1) Revenue from external customers:

Location	2019	2018
Taiwan	\$ 17,925,787	15,725,177
China	13,092,313	12,364,527
Other countries	682,416	771,495
	\$ 31,700,516	28,861,199

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Non-current assets:

	<u>2019</u>	<u>2018</u>
Taiwan	\$ 3,784,114	3,421,162
Other countries	<u>321,106</u>	<u>258,657</u>
	<u>\$ 4,105,220</u>	<u>3,679,819</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including deferred tax assets and restricted assets (non-current).

(iii) Information about major customers

Sales to individual customer constituting over 10% of the total revenue in the consolidated statements of comprehensive income of 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
A Company	\$ <u>6,943,837</u>	<u>5,785,256</u>

The sales revenue of A Company is from semiconductor and electronics division.

TOPCO SCIENTIFIC CO., LTD.

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

Address: 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City
Telephone: 02-87978020

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Topco Scientific Co., Ltd.:

Opinion

We have audited the financial statements of Topco Scientific Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matter

We did not audit the financial statements for certain investments accounted for using equity method in the financial statements of the Company for 2019 and 2018. The investments accounted for using equity method constituted 10.36% and 10.48% of the total assets as of December 31, 2019 and 2018; and the share of profits of associates and joint ventures accounted for using equity method constituted 17.00% and 16.81% of profits before tax for the years ended December 31, 2019 and 2018, respectively. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of subsidiaries and investments accounted for equity method, is based solely on the reports of the other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Recognition of Operating Revenue

Please refer to note 4(p) "Revenue" for accounting policies related to revenue recognition; and note 6(t) "Revenue" for details of revenue.

Description of Key Audit Matters:

Due to the wide variety of the Company's products, different transactions were generated according to customers and product portfolio. Identification of revenue recognition has significant influence on the financial statements of the Company. Therefore, revenue recognition is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing related manual and systematic control over sales cycle to assess if the revenue recognition policies of the Company are in accordance with the related standards. In addition, we examined the sales contracts between the Company and its customers to understand their trading modality and conditions, evaluating and comparing if revenue recognition is consistent with the terms of the contracts; conducting testing for details of revenue before and after the balance sheet date and verifying if revenue recognition is in accordance with the contract terms.

2. Valuation of inventories

Please refer to note 4(g) "Inventories" for accounting policies related to valuation of inventories; note 5(b) for uncertainty in valuation of inventories; and note 6(f) for related description for valuation of inventories.

Description of Key Audit Matters:

Valuation of inventories is measured by cost and net realizable value. The inventories purchased were based on the demand of customer orders, and the Company may be exposed to the risk concerning the carrying amount of inventories which is lower than the realizable value due to market price declined and business cycle of the industry. Therefore, valuation of inventories is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating whether the Company's valuation of inventories is conducted in accordance with the Company's accounting policies and related standards; examining the inventory aging reports and analyzing the changes on the aging of inventories in each period, including conducting sampling procedures to examine the accuracy of inventory aging reports and understanding the sales prices adopted by the management and subsequent fluctuation in market price to assess the rationality of net realizable value of inventories.

3. Valuation of Accounts Receivable

Please refer to note (4)(f) "Financial instruments" for accounting policies related to valuation of accounts receivable; note 5(a) for uncertainties in valuation of accounts receivable; and note 6(d) "Notes and accounts receivable".

Description of Key Audit Matters:

Allowance for accounts receivable is evaluated based on the lifetime expected credit loss of accounts shown in objective evidences. Therefore, valuation of accounts receivable is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: examining allowance for accounts receivable of the Company to determine whether related accounting policies are applied appropriately, analyzing the allowance for uncollectible accounts receivable based on the accounts receivable aging report, examining the collection record of the past and the subsequent period, economic condition of the industry, concentration of credit risk, and the Company's assessment on the ability of the customers with imperfect credit record to repay in order to evaluate the rationality of the recognition of allowance for uncollectible accounts receivable and amounts recognized.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Szu-Chuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 27, 2020

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings
Per Common Share which is expressed in New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
Operating Revenues: (notes 6(t) and 7)				
4110 Net sales revenue	\$ 18,082,967	96	15,196,291	96
4800 Other operating revenue	<u>753,717</u>	<u>4</u>	<u>685,936</u>	<u>4</u>
Operating revenue, net	18,836,684	100	15,882,227	100
Operating costs: (notes 6(f), 7 and 12)				
5110 Cost of sales	16,207,502	86	13,416,119	84
5800 Other operating costs	<u>150,321</u>	<u>1</u>	<u>144,717</u>	<u>1</u>
	<u>16,357,823</u>	<u>87</u>	<u>13,560,836</u>	<u>85</u>
Gross profit	2,478,861	13	2,321,391	15
Operating expenses: (notes 7 and 12)				
6100 Selling expenses	542,532	3	465,364	3
6200 Administrative expenses	663,157	3	668,741	4
6300 Research and development expenses	<u>14,671</u>	<u>-</u>	<u>6,102</u>	<u>-</u>
Total operating expenses	1,220,360	6	1,140,207	7
Net operating income	1,258,501	7	1,181,184	8
Non-operating income and expenses:				
7101 Other income (notes 6(b), 6(c) and 6(v))	80,902	-	65,509	-
7102 Other gains and losses, net (note 6(w))	(5,999)	-	(22,707)	-
7105 Financial costs	(4,507)	-	(2,199)	-
7060 Share of gain of subsidiaries, associates and joint ventures accounted for using equity method (note 6(g))	<u>722,997</u>	<u>4</u>	<u>474,045</u>	<u>3</u>
	<u>793,393</u>	<u>4</u>	<u>514,648</u>	<u>3</u>
7900 Profit (loss) from continuing operations before tax	2,051,894	11	1,695,832	11
7950 Less: Income tax expenses (note 6(q))	329,586	2	291,157	2
Profit (loss)	1,722,308	9	1,404,675	9
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(2,305)	-	(7,913)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	253,409	1	15,256	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(917)	-	2,154	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(461)	-	(2,882)	-
	<u>250,648</u>	<u>1</u>	<u>12,379</u>	<u>-</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(73,160)	-	(11,315)	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(164)	-	94	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(14,632)	-	(3,422)	-
Components of other comprehensive income that will be reclassified to profit or loss	(58,692)	-	(7,799)	-
8300 Other comprehensive income	191,956	1	4,580	-
Comprehensive income	\$ 1,914,264	10	1,409,255	9
Earnings per share: (note 6(s))				
9750 Basic earnings per share (NT dollars)	\$ 9.48		7.73	
9850 Diluted earnings per share (NT dollars)	\$ 9.42		7.68	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value	Through other comprehensive income	Total other equity
Balance at January 1, 2018	\$ 1,816,996	2,340,746	1,028,069	28,851	2,533,071	3,589,991	(37,245)	210,678	173,433	7,921,166
Profit for the year ended December 31, 2018	-	-	-	-	1,404,675	1,404,675	-	-	-	1,404,675
Other comprehensive income	-	-	-	-	(5,044)	(5,044)	(7,799)	17,423	9,624	4,580
Total comprehensive income	-	-	-	-	1,399,631	1,399,631	(7,799)	17,423	9,624	1,409,255
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	99,763	-	(99,763)	-	-	-	-	-
Special reserve appropriated	-	-	(10,299)	10,299	(10,299)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(763,138)	(763,138)	-	-	-	(763,138)
Changes in ownership interests in subsidiaries	-	-	-	-	(6,247)	(6,247)	-	-	-	(6,247)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(56,087)	(56,087)	-	56,087	56,087	-
Other	-	(67)	-	-	-	-	-	-	-	(67)
Balance at December 31, 2018	1,816,996	2,340,679	1,127,832	39,150	2,997,168	4,164,150	(45,044)	284,188	239,144	8,560,969
Profit for the year ended December 31, 2019	-	-	-	-	1,722,308	1,722,308	-	-	-	1,722,308
Other comprehensive income	-	-	-	-	(1,843)	(1,843)	(58,692)	252,491	193,799	191,956
Total comprehensive income	-	-	-	-	1,720,465	1,720,465	(58,692)	252,491	193,799	1,914,264
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	140,468	-	(140,468)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(963,008)	(963,008)	-	-	-	(963,008)
Reversal of special reserve	-	-	-	(39,150)	39,150	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	(8)	(8)	-	-	-	(11)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(3)	-	-	(8)	(8)	-	-	-	-
Balance at December 31, 2019	\$ 1,816,996	2,340,676	1,268,300	-	(4,251)	4,251	(103,736)	540,930	4251	9,512,214
					3,649,048	4,917,348			437,194	

See accompanying notes to financial statements.

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

TOPCO SCIENTIFIC CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,051,894	1,695,832
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	98,710	53,473
Amortization expense	8,368	3,997
Expected credit loss (gain)	(437)	(7,607)
Net loss on financial assets at fair value through profit or loss	876	3,246
Interest expense	4,507	2,199
Interest income	(6,736)	(4,869)
Dividend income	(30,900)	(23,832)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(722,997)	(474,045)
Loss from disposal of property, plant and equipment	-	385
Others	787	2,046
Total adjustments to reconcile profit (loss)	<u>(647,822)</u>	<u>(445,007)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes and accounts receivable	(757,738)	(122,046)
Increase in inventories	(103,120)	(116,423)
Decrease (increase) in financial assets at fair value through profit or loss	(46)	958
Decrease (increase) in other current assets	54,239	(103,109)
Decrease (increase) in other current financial assets	8,157	(12,106)
Total changes in operating assets	<u>(798,508)</u>	<u>(352,726)</u>
Changes in operating liabilities:		
Increase in notes and accounts payable	801,905	38,645
Increase in contract liabilities	34,954	7,372
Increase in other current financial liabilities	90,134	83,743
Decrease in current provisions	(341)	(318)
Increase (decrease) in current refund liabilities	36,641	(64,982)
Increase (decrease) in other current liabilities	(36,474)	3,029
Increase in net defined benefit liability	3,597	3,416
Total changes in operating liabilities	<u>930,416</u>	<u>70,905</u>
Total changes in operating assets and liabilities	<u>131,908</u>	<u>(281,821)</u>
Total adjustments	<u>(515,914)</u>	<u>(726,828)</u>
Cash inflow generated from operations	1,535,980	969,004
Interest received	6,600	5,017
Interest paid	(4,283)	(2,067)
Dividends received	227,015	167,677
Income taxes paid	(183,432)	(216,731)
Net cash flows from operating activities	<u>1,581,880</u>	<u>922,900</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,416	8,843
Proceeds from capital reduction of financial assets at fair value through profit or loss	1,219	1,220
Acquisition of financial assets at fair value through profit or loss	(13,462)	(19,617)
Acquisition of investments accounted for using equity method	(268,221)	(268,000)
Acquisition of property, plant and equipment	(94,915)	(132,918)
Proceeds from disposal of property, plant and equipment	-	90
Decrease in refundable deposits	2,231	101
Acquisition of intangible assets	(1,641)	(12,466)
Increase in restricted assets	(500)	(1,880)
Others	-	(420)
Net cash flows from (used in) investing activities	<u>(370,873)</u>	<u>(425,047)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	225,000	(120,000)
Cash dividends paid	(963,008)	(763,138)
Increase (decrease) in guarantee deposits	(966)	1,566
Payment of lease liabilities	(27,708)	-
Others	-	(67)
Net cash flows from (used in) financing activities	<u>(766,682)</u>	<u>(881,639)</u>
Net increase (decrease) in cash and cash equivalents	444,325	(383,786)
Cash and cash equivalents at beginning of period	645,462	1,029,248
Cash and cash equivalents at end of period	<u>\$ 1,089,787</u>	<u>645,462</u>

See accompanying notes to financial statements.

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

TOPCO SCIENTIFIC CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TOPCO SCIENTIFIC CO., LTD. (the “Company”) was incorporated on February 17, 1990, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City. The Company engages in the trading of electronics products, high technology products and related materials and components, pollution prevention equipment, the design and installation of water purification and recycling systems, solar energy materials, providing solar energy system integration services and the operation power of solar stations.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

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

The Company applied IFRS 16 using the modified retrospective approach, under which no cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(1)

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office equipment, IT equipment and others.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional \$97,671 of right-of-use assets and \$94,901 of lease liabilities, recognizing the difference in prepaid rent. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.56%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018	\$ 74,306
Recognition exemption for:	
short-term leases	(2,054)
Extension and termination options reasonably certain to be exercised	29,530
	101,782
Discounted using the incremental borrowing rate at January 1, 2019	94,901
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	\$ 94,901

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The above changes in accounting policies result in no material adjustments to the financial report.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedges are effective

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange difference arising from such a monetary item that are considered to form part of a net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs, are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or

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TOPCO SCIENTIFIC CO., LTD.
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- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

(Continued)

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Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

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Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiary

When preparing parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statements are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing cost, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 3~51 years
- 2) Building improvement: 3~10 years
- 3) Machine and others: 1~30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Lease

Applicable after January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
 - 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
 - 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.
- (ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value — assets,, including office equipment, IT equipment and other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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Notes to the Financial Statements

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessee

Operating leases are not recognized in the Company's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(ii) Lessor

A finance leased asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Computer software: 1~5 years
- 2) Right of using: the contract period

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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company sells of semiconductor material and electronic material. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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The Company provides volume rebates to customers that based on accumulated sales for each month or each quarter. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue is net amount of commission made by the Company.

(iii) Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

(iv) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit is expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

The 5% surtax on the Company's unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

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(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee compensation not yet approved by the board of directors.

(u) Operating segments

The operating segment information is disclosed in the consolidated financial statements. Therefore, the Company will not disclose the operating segment information in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of by Financial Reports by Securities Issuers, requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(d).

(b) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(f) for further description of the valuation of inventories.

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(6) Explanation of significant accounts:**(a) Cash and cash equivalents**

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Cash on hand	\$ 1,789	1,318
Checking accounts and demand deposits	368,478	370,781
Time deposits	<u>719,520</u>	<u>273,363</u>
	<u>\$ 1,089,787</u>	<u>645,462</u>

Please refer to note 6(x) for the disclosure of the exchange rate risk and the sensitivity analysis of the financial assets and liabilities of the Company.

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Mandatorily measured at fair value through profit or loss:		
Beneficiary certificate-Funds	\$ 8,374	8,328
Unlisted common shares	33,835	36,978
Foreign unlisted funds	<u>30,813</u>	<u>16,303</u>
	<u>\$ 73,022</u>	<u>61,609</u>
Current	\$ 8,374	8,328
Non-current	<u>64,648</u>	<u>53,281</u>
	<u>\$ 73,022</u>	<u>61,609</u>

During the years ended December 31, 2019 and 2018, the dividends of \$1,500 and \$2,100, respectively, related to mandatorily measured at fair value through profit or loss held on the years then ended, were recognized as other income by the Company.

(c) Non-current financial assets at fair value through other comprehensive income

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Equity investments at fair value through other comprehensive income		
Domestic listed stock	\$ -	3,372
Domestic unlisted stock	812,805	558,751
Foreign unlisted stock	<u>-</u>	<u>1,689</u>
Total	<u>\$ 812,805</u>	<u>563,812</u>

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long term strategic purposes.

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During the years ended December 31, 2019 and 2018, the dividends of \$29,400 and \$21,732, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized as other income by the Company.

During the years ended December 31, 2019 and 2018, the Company had sold part of its shares designated as at fair value through other comprehensive income as a result of an adjustment of its investment portfolio. The fair value of shares sold was \$4,416 and \$8,843, respectively, and the Company realized a loss of \$4,251 and \$11,886, respectively. The loss has been transferred to retained earnings from other comprehensive income.

The Company's information of market risk, please refer to note 6(x).

As of December 31, 2019 and 2018, the Company did not provide financial assets as collateral for its loans.

(d) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	\$ 20,923	13,235
Accounts receivable from measured as amortized cost	3,032,709	2,283,062
Less: loss allowance	14,322	15,162
Notes and accounts receivable	<u>\$ 3,039,310</u>	<u>2,281,135</u>
Notes and accounts receivable, net	<u>\$ 2,950,000</u>	<u>2,200,057</u>
Notes and accounts receivable due from related parties, net	<u>\$ 89,310</u>	<u>81,078</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due according to the historical credit loss experience as well as incorporated forward looking information, such as the reasonable prediction of future economic situation.

The loss allowance provisions in Taiwan were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,935,699	0.1%	2,522
Overdue 0-30 days	89,285	1.0%	893
Overdue 31-60 days	10,856	3.0%	326
Overdue 61-90 days	7,573	5.0%	379
Overdue over 91 days	19	10.0%	2
Customers with bad credit	<u>10,200</u>	100.0%	<u>10,200</u>
	<u>\$ 3,053,632</u>		<u>14,322</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

	December 31, 2018		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,194,514	0.1%	2,046
Overdue 0-30 days	71,901	1.0%	719
Overdue 31-60 days	14,688	3.0%	441
Overdue 61-90 days	2,801	5.0%	140
Overdue over 91 days	641	10.0%	64
Customers with bad credit	11,752	100.0%	11,752
	\$ 2,296,297		15,162

The movement in the allowance for notes and accounts receivable were as follows:

	2019	2018
Balance at January 1	\$ 15,162	22,769
Amounts written off	(403)	-
Impairment loss reversed	(437)	(7,607)
Balance at December 31	\$ 14,322	15,162
 (e) Other receivables		
	December 31, 2019	December 31, 2018
Other receivable	\$ 28,620	36,641
Less: Loss allowance	3,755	3,755
	\$ 24,865	32,886
 (f) Inventories		
	December 31, 2019	December 31, 2018
Merchandise inventories	\$ 1,625,533	1,500,616
Goods in transit	33,886	55,683
	\$ 1,659,419	1,556,299

The details of the cost of sales were as follows:

	2019	2018
Cost of sales	\$ 16,206,238	13,415,940
Provision for inventory valuation loss and obsolescence	1,171	743
Loss on indemnity of inventory and others	93	(564)
	\$ 16,207,502	13,416,119

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

As of December 31, 2019 and 2018, the Company did not provide inventories as collateral for its loans.

(g) Investments accounted for using equity method

The Company's financial information for investments accounted for using equity method on the reporting date was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 3,750,490	3,259,798
Associates	<u>1,528,455</u>	<u>1,298,296</u>
	<u>\$ 5,278,945</u>	<u>4,558,094</u>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

During the years ended December 31, 2019 and 2018, the share of profits of subsidiaries accounted for using equity method amounted to \$374,291 and \$189,056, respectively.

(ii) Associates

The Company's financial information for investments accounted for using the equity method, which are individually insignificant, was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
The carrying amount of individually insignificant associates' equity	<u>\$ 1,528,455</u>	<u>1,298,296</u>
	<u>2019</u>	<u>2018</u>
Attributable to the Company:		
Profit from continuing operations	\$ 348,706	284,989
Other comprehensive income	<u>1</u>	<u>(13)</u>
Total comprehensive income	<u>\$ 348,707</u>	<u>284,976</u>

(iii) The Company's sub-subsidiary issued new shares in cash in 2018. The Company's subsidiary did not purchase new shares in proportion to its original ownership interest, resulting in a decrease in its net equity of \$6,247, recognized as a reduction in retain earnings in the same year.

(iv) In 2019, the Company's subsidiaries purchased shares of other subsidiary from non-controlling interests amounting to \$124, resulting in its capital surplus to be debited by \$3 and its retain earnings to be debited by \$8.

(v) The Company's subsidiary had sold part of its shares designated as at fair value through other comprehensive income in 2018, with the accumulated loss of \$44,201, which was reclassified from other equity to retained earnings through the ownership in subsidiary.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(vi) As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using equity method as collaterals for its loans.

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings and building improvement	Machinery and others	Construction in progress and equipment to be inspected	Total
Cost:					
Balance on January 1, 2019	\$ 832,224	645,278	334,950	45,932	1,858,384
Additions	2,018	620	62,028	23,110	87,776
Disposals	-	(9,057)	(10,146)	-	(19,203)
Reclassifications	-	9,944	24,898	(40,983)	(6,141)
Reclassification from investment property	76,804	685,785	-	-	762,589
Balance on December 31, 2019	<u>\$ 911,046</u>	<u>1,332,570</u>	<u>411,730</u>	<u>28,059</u>	<u>2,683,405</u>
Balance on January 1, 2018	\$ 832,224	357,684	228,216	362,236	1,780,360
Additions	-	181	6,203	109,231	115,615
Disposals	-	(524)	(19,505)	-	(20,029)
Reclassifications	-	287,937	120,036	(425,535)	(17,562)
Balance on December 31, 2018	<u>\$ 832,224</u>	<u>645,278</u>	<u>334,950</u>	<u>45,932</u>	<u>1,858,384</u>
Depreciation and impairments loss:					
Balance on January 1, 2019	\$ -	127,920	85,743	-	213,663
Depreciation	-	26,145	30,669	-	56,814
Disposals	-	(9,057)	(10,146)	-	(19,203)
Reclassification from investment property	-	45,355	-	-	45,355
Balance on December 31, 2019	<u>\$ -</u>	<u>190,363</u>	<u>106,266</u>	<u>-</u>	<u>296,629</u>
Balance on January 1, 2018	\$ -	119,487	78,992	-	198,479
Depreciation	-	8,957	25,781	-	34,738
Disposal	-	(524)	(19,030)	-	(19,554)
Balance on December 31, 2018	<u>\$ -</u>	<u>127,920</u>	<u>85,743</u>	<u>-</u>	<u>213,663</u>
Carrying amounts:					
Balance on December 31, 2019	<u>\$ 911,046</u>	<u>1,142,207</u>	<u>305,464</u>	<u>28,059</u>	<u>2,386,776</u>
Balance on January 1, 2018	<u>\$ 832,224</u>	<u>238,197</u>	<u>149,224</u>	<u>362,236</u>	<u>1,581,881</u>
Balance on December 31, 2018	<u>\$ 832,224</u>	<u>517,358</u>	<u>249,207</u>	<u>45,932</u>	<u>1,644,721</u>

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TOPCO SCIENTIFIC CO., LTD.
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- (i) In order to expand its business, the Company purchased pieces of land to build a tourism factory and a fish processing factory. The registration procedures of the land have been completed and the payments had been fully paid. According to the law, the land in Yilan city is an agricultural land and cannot be owned by any legal corporation, thus, the title is temporarily held by an individual with whom the Company entered into an agreement with, clarifying the rights and obligations of both parties. The Company leases out the relevant land and buildings to its subsidiary, Yilan Anyong Lehuo Co., Ltd., for its operation. Therefore, the Company reclassified the carrying amount of the relevant land and buildings to investment property after signing the lease contract in 2017. In addition, the fish processing factory had been completed in September 2018, and was reclassified to buildings. The above lease contract with Yilan Anyong Lehuo Co. was terminated earlier in July, 2019 and was changed into outsourcing model in the consideration of the Group strategic plan. The Company transferred the real estate for its own use accordingly.
- (ii) As of December 31, 2019 and 2018, the Company did not provide any property, plant and equipment as collateral for its loans.

(i) Right-of-use assets

The Company leases many assets including land and buildings, and vehicles. Information about leases for which the Company as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application of IFRS 16	<u>1,688</u>	<u>64,487</u>	<u>31,496</u>	<u>97,671</u>
Balance on January 1, 2019 after adjustment	1,688	64,487	31,496	97,671
Additions	1,645	22,168	11,318	35,131
Disposals	<u>-</u>	<u>(2,757)</u>	<u>(1,295)</u>	<u>(4,052)</u>
Balance on December 31, 2019	<u>\$ 3,333</u>	<u>83,898</u>	<u>41,519</u>	<u>128,750</u>
Depreciation:				
Balance on January 1, 2019	\$ -	-	-	-
Effects of retrospective application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2019 after adjustment	-	-	-	-
Depreciation for the period	413	15,025	15,310	30,748
Disposals	<u>-</u>	<u>(2,757)</u>	<u>(1,295)</u>	<u>(4,052)</u>
Balance on December 31, 2019	<u>\$ 413</u>	<u>12,268</u>	<u>14,015</u>	<u>26,696</u>
Carrying amount:				
Balance on December 31, 2019	<u>\$ 2,920</u>	<u>71,630</u>	<u>27,504</u>	<u>102,054</u>

The Company leases offices, warehouses and vehicles under an operating lease for the year ended December 31, 2018, please refer to note 6(o).

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(j) Investment property

The investment properties of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2019	\$ 76,804	685,785	762,589
Reclassified to property, plant and equipment	<u>(76,804)</u>	<u>(685,785)</u>	<u>(762,589)</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2018	\$ 76,804	676,314	753,118
Purchases	<u>-</u>	<u>9,471</u>	<u>9,471</u>
Balance on December 31, 2018	<u>\$ 76,804</u>	<u>685,785</u>	<u>762,589</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2019	\$ -	34,207	34,207
Depreciation for the year	<u>-</u>	<u>11,148</u>	<u>11,148</u>
Reclassified to property, plant and equipment	<u>-</u>	<u>(45,355)</u>	<u>(45,355)</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2018	\$ -	15,472	15,472
Depreciation for the year	<u>-</u>	<u>18,735</u>	<u>18,735</u>
Balance on December 31, 2018	<u>\$ -</u>	<u>34,207</u>	<u>34,207</u>
Carrying amount:			
Balance on December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance on January 1, 2018	<u>\$ 76,804</u>	<u>660,842</u>	<u>737,646</u>
Balance on December 31, 2018	<u>\$ 76,804</u>	<u>651,578</u>	<u>728,382</u>
Fair value:			
Balance on December 31, 2019			<u>\$ -</u>
Balance on December 31, 2018			<u>\$ 781,242</u>

The Company leases out part of its land buildings for the operation of its subsidiary, Yilan Anyong Lehuo Co.. The relevant leases were terminated in July 2019; please refer to note 6(h). In addition, investment properties are recognized at the carrying amounts. As of December 31, 2019 and 2018, the Company did not provide any investment properties as collaterals for its loans.

As of December 31, 2018, the fair value of investment properties was not valuated by qualified independent appraiser. Instead, it is assessed based on the market value of transaction price of the real estate in the adjacent area, and the inputs of levels of fair value hierarchy was classified to level 3.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(k) Other non-current assets

The other non-current assets of the Company were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Restricted assets	\$ 2,380	1,880
Refundable deposits	3,072	5,303
Computer software cost and others	<u>53,975</u>	<u>55,348</u>
	<u>\$ 59,427</u>	<u>62,531</u>

(l) Short-term borrowings

The short-term borrowings of the Company were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured bank loans	\$ 695,000	470,000
Unused short-term credit lines	<u>\$ 2,714,184</u>	<u>3,639,833</u>
Range of interest rates	<u>0.72%~0.73%</u>	<u>0.74%~0.75%</u>

(i) For information on the Company's interest risk, foreign currency risk and liquidity risk, please see note 6(x).

(ii) The Company did not provide any assets as collaterals for its loans.

(m) Lease liabilities

	<u>December 31, 2019</u>
Current	\$ 33,610
Non-current financial assets	<u>\$ 68,714</u>

For the maturity analysis, please refer to note (x).

The amounts recognized in profit or loss were as follows:

	<u>2019</u>
Interest on lease liabilities	\$ 1,502
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 2,731</u>
Expenses relating to short-term leases	<u>\$ 9,543</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 11,194</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

The amounts recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	\$ 52,678

(i) Real estate leases

As of December 31, 2019, the Company leases land and buildings for its office space, erecting solar power generation equipment and warehouse. The leases of office space and warehouse typically run for a period of 1 to 20 years, and of buildings for erecting solar power generation equipment for 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases require the Company to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

(ii) Other leases

The Company leases vehicles, with lease terms of 1 to 5 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company also leases IT equipment with contract terms of 1 to 3 years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Provisions

	Warranties	Sales returns and allowances	Total
Balance at January 1, 2019	\$ 1,207	-	1,207
Provisions made during the period	374	-	374
Provisions reversed during the period	(715)	-	(715)
Balance at December 31, 2019	\$ 866	-	866
Balance at January 1, 2018	\$ 1,525	86,078	87,603
Effects of retrospective application	-	(86,078)	(86,078)
Balance at January 1, 2018 after adjustment	1,525	-	1,525
Provisions made during the period	335	-	335
Provisions reversed during the period	(653)	-	(653)
Balance at December 31, 2018	\$ 1,207	-	1,207

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

Provisions related to construction revenue and sales of products, and are assessed based on historical experience. The aforementioned provisions are expected to settle the majority of the liability over the next year. Provisions for sales returns and allowances were classified as refund liabilities on December 31, 2019 and 2018.

(o) Operating leases

(i) Leases as lessee

The Company leased several office space, warehouses and buildings for erecting solar power generation equipment under operating leases with lease terms of 1 to 20 years and had an option to renew the leases. There is no significant non-cancellable operating lease contracts except for building lease contracts mentioned below.

The lease period of the building lease contracts for erecting solar power generation equipment systems is 20 years. According to the contracts, the monthly rent is 7% of the revenue which Taiwan Power Company paid to the Company for sale of power.

The office space and buildings were combined leases of the land and buildings. The rent paid to the lessor is increased to market rent at regular intervals, and ownership of the land and buildings were not transferred. As a result, it was determined that substantially, all the risks and rewards of the land and buildings are attributed to the lessor. Therefore, the Company determined that the land, office space, and building leases are accounted for as operating leases.

For the year ended December 31, 2018, expenses recognized in profit or loss in respect of operating leases amounted to \$50,187.

(ii) Leases as lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The relevant leases were terminated in July, 2019. Please refer to note 6(j) sets out information about the operating leases of investment property.

The future minimum lease receivables under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	\$ 15,000
Between one and five years	64,200
More than five years	51,994
	<u>\$ 131,194</u>

Rental income from investment properties were \$25,146 and \$28,168 in 2019 and 2018, respectively. The depreciation arising from investment properties amounting to \$8,750 and \$13,800, respectively, were recognized as a reduction of rental income.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and of plan assets at present value were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ (252,604)	(247,761)
Fair value of plan assets	<u>47,908</u>	<u>48,967</u>
Net defined benefit liabilities	<u>\$ (204,696)</u>	<u>(198,794)</u>

The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans covered by the Labor Standards Law entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$47,908 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ (247,761)	(232,212)
Current service costs and interest costs	(6,497)	(6,396)
Remeasurements of net defined benefit liabilities	(3,959)	(9,153)
Benefits paid by plan assets	<u>5,613</u>	<u>-</u>
Defined benefit obligations at December 31	<u>\$ (252,604)</u>	<u>(247,761)</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 48,967	44,747
Contributions paid by the employer	2,323	2,400
Expected return on plan assets	500	580
Remeasurements of net defined benefit liabilities	1,654	1,240
Benefits paid by plan assets	<u>(5,536)</u>	<u>-</u>
Fair value of plan assets at December 31	<u>\$ 47,908</u>	<u>48,967</u>
Actual return on plan assets	<u>\$ 2,154</u>	<u>1,820</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 3,280	2,789
Net interest of net liabilities for defined benefit obligations	<u>2,717</u>	<u>3,027</u>
	<u>\$ 5,997</u>	<u>5,816</u>
Selling expenses	144	195
Administrative expenses	<u>5,853</u>	<u>5,621</u>
	<u>\$ 5,997</u>	<u>5,816</u>

5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company's re-measurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ 51,210	43,297
Recognized during the period	<u>2,305</u>	<u>7,913</u>
Accumulated amount at December 31	<u>\$ 53,515</u>	<u>51,210</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting date:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.000 %	1.375 %
Future salary increases rate	3.00 %	3.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$2,400.

The weighted-average lifetime of the defined benefit plan is 14.81 years.

7) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Effects to the defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate	\$ (5,915)	6,131
Future salary increasing rate	5,883	(5,708)
December 31, 2018		
Discount rate	(6,128)	6,361
Future salary increasing rate	6,132	(5,940)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for this period and previous period.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$25,143 and \$25,480 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(q) Income taxes

(i) Income tax expenses

- 1) The components of income tax for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 230,093	174,324
Unappropriated earnings	<u>23,613</u>	<u>10,872</u>
	253,706	185,196
Deferred tax expense		
Origination and reversal of temporary differences	75,880	90,431
Adjustment in tax rate	<u>-</u>	<u>15,530</u>
	<u>75,880</u>	<u>105,961</u>
Income tax expense	<u>\$ 329,586</u>	<u>291,157</u>

- 2) The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plans	\$ (461)	(2,882)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>(14,632)</u>	<u>(3,422)</u>
	<u>\$ (15,093)</u>	<u>(6,304)</u>

- 3) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Profit before tax	\$ 2,051,894	1,695,832
Income tax calculated based on local tax rate	410,379	339,166
Adjustment in tax rate	-	15,530
Estimated tax effect of tax exemption on other income and domestic investment income, net	(97,283)	(84,384)
Changes in unrecognized temporary differences	483	251
Estimated difference adjustment and others	(7,606)	9,722
Unappropriated earnings	<u>23,613</u>	<u>10,872</u>
	<u>\$ 329,586</u>	<u>291,157</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Company's deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	\$ 5,152	4,669

Deferred tax assets were not recognized because the deductible temporary differences may not be realized in the future.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Deferred benefit plan	Foreign investment loss under equity method	Others	Total
Deferred tax assets:				
Balance on January 1, 2019	\$ 40,627	35,411	22,130	98,168
Recognized in profit or loss	719	(706)	6,708	6,721
Recognized in other comprehensive income	461	-	14,632	15,093
Balance on December 31, 2019	\$ 41,807	34,705	43,470	119,982
Balance on January 1, 2018	\$ 32,607	30,237	26,872	89,716
Recognized in profit or loss	5,138	5,174	(8,164)	2,148
Recognized in other comprehensive income	2,882	-	3,422	6,304
Balance on December 31, 2018	\$ 40,627	35,411	22,130	98,168
	Foreign investment income under equity method	Others	Total	
Deferred tax liabilities:				
Balance on January 1, 2019	\$ 276,316	-	276,316	
Recognized in profit or loss	81,813	788	82,601	
Balance on December 31, 2019	\$ 358,129	788	358,917	
Balance on January 1, 2018	\$ 167,899	308	168,207	
Recognized in profit or loss	108,417	(308)	108,109	
Balance on December 31, 2018	\$ 276,316	-	276,316	

(iii) The ROC tax authorities have examined the income tax returns of the Company through 2017.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(r) Capital and other equities

(i) Common stock

As of December 31, 2019 and 2018, the number of authorized ordinary shares were 200,000 thousand shares and 190,000 thousand shares, respectively, with par value of New Taiwan dollars \$10 per share. The total value of authorized ordinary shares amounted to \$2,000,000 and \$1,900,000, respectively (both including \$100,000 for the issuance of employee stock options). As of that date, 181,700 thousands of ordinary shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Sale capital	\$ 2,339,175	2,339,175
Stock option — fair value differences of associates and joint ventures accounted under equity method	1,185	1,185
Others	316	319
	<u>\$ 2,340,676</u>	<u>2,340,679</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, 10% of the Company's annual net income after paying all taxes and deducting losses from the prior years, if any, should be set aside as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings. The earnings appropriation proposal to distribute dividend shall be proposed by the Board of Directors and approved by the shareholders meeting. The Board of Directors are entitled to distribute all or a portion of the dividends, or distribute all or a portion of legal reserve and capital reserve, in cash, when more than two-third of the directors are present at the Board of Directors, and more than half of whom agree. The Shareholders' meeting should be served a notice in such situation.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

According to the Company's dividend policy, the type of dividends should be determined after considering the remaining portion of retained earnings, the business environment, etc. The dividends could be paid whether by cash or stock. No less than 10% of total stockholders' dividends may be distributed in the form of cash dividends. Any remaining profit didn't distributed in the form of cash dividends could be distributed in the form of stock dividends according to the Company's articles proposed by the board of directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2018 and 2017 was approved by the shareholders during their annual meeting held on June 10, 2019 and June 11, 2018, respectively. The relevant information was as follows:

	2018		2017	
	Amount per share NT (dollars)	Total amount	Amount per share NT (dollars)	Total amount
Dividends distributed to common shareholder:				
Cash dividends	\$ 5.3	<u>963,008</u>	4.2	<u>763,138</u>

On March 27, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated as follows:

	2019	
	Amount per share NT (dollars)	Total amount
Dividends distributed to common shareholder:		
Cash dividends	\$ 6.5	<u>1,181,047</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

The information earning distribution can be accessed from the Market Observation Post System after the shareholders' meeting.

4) Other equity

	Exchange differences on translation of foreign financial statements	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2019	\$ (45,044)		284,188	239,144
Exchange differences on foreign operations:				
Subsidiary	(58,547)	-	-	(58,547)
Associates	(145)	-	-	(145)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Company	-	-	253,409	253,409
Subsidiary	-	-	(918)	(918)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	4,251	4,251
Balance on December 31, 2019	<u>\$ (103,736)</u>	<u>-</u>	<u>540,930</u>	<u>437,194</u>
Balance of January 1, 2018	\$ (37,245)	-	210,678	173,433
Exchange differences on foreign operations:				
Subsidiaries	(7,713)	-	-	(7,713)
Associates	(86)	-	-	(86)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Company	-	-	15,256	15,256
Subsidiaries	-	-	2,167	2,167
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	56,087	56,087
Balance on December 31, 2018	<u>\$ (45,044)</u>	<u>-</u>	<u>284,188</u>	<u>239,144</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(s) Earnings per share

The calculation of basic and diluted earnings per share for the years 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,722,308</u>	<u>1,404,675</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>181,700</u>	<u>181,700</u>
Basic earnings per share (dollars)	\$ <u>9.48</u>	<u>7.73</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,722,308</u>	<u>1,404,675</u>
Weighted-average number of outstanding ordinary shares (thousands)	181,700	181,700
Effect of diluted potential ordinary share (thousands)		
Effect if employee share bonus	<u>1.103</u>	<u>1.251</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>182,803</u>	<u>182,951</u>
Diluted earnings per share (dollars)	\$ <u>9.42</u>	<u>7.68</u>

(t) Revenue from contracts with customers

(i) Details of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 15,288,576	13,421,076
China	3,425,065	2,344,848
Others	<u>123,043</u>	<u>116,303</u>
	\$ <u>18,836,684</u>	<u>15,882,227</u>
Major products:		
Semiconductor and optoelectronic industries	\$ 18,814,903	15,862,319
Others	<u>21,781</u>	<u>19,908</u>
	\$ <u>18,836,684</u>	<u>15,882,227</u>
Timing of revenue recognition:		
Products transferred at a point in time	\$ 18,082,967	15,196,291
Services transferred over time	<u>753,717</u>	<u>685,936</u>
	\$ <u>18,836,684</u>	<u>15,882,227</u>

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(ii) Contract balance

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 3,053,632	2,296,297	2,174,251
Less: allowance for impairment	<u>14,322</u>	<u>15,162</u>	<u>22,769</u>
Total	<u>\$ 3,039,310</u>	<u>2,281,135</u>	<u>2,151,482</u>
Contract liabilities—unearned revenue	<u>\$ 165,023</u>	<u>130,069</u>	<u>122,697</u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in contract liability balance at the beginning of the period were \$85,075 and \$64,785, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no significant changes for the year ended December 31, 2019.

(u) Remuneration to employees, directors and supervisors

The Company's articles of incorporation require that earning shall first be offset against any deficit, then, a minimum of 4% net profit before tax will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2019 and 2018, the Company estimated its employees', directors' and supervisors' remuneration amounting to \$117,127 and \$96,802, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2019 and 2018. The numbers of shares to be distributed for 2019 and 2018 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the financial statements, are identical to those of the actual distributions in 2019 and 2018.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(v) Other income

The details of other income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 6,736	4,869
Dividend income	30,900	23,832
Government grants	9,300	7,937
Other	<u>33,966</u>	<u>28,871</u>
	<u>\$ 80,902</u>	<u>65,509</u>

(w) Other gains and losses

The details of other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Foreign currency exchange gains (losses), net	\$ (4,958)	(10,004)
Gain (losses) on financial assets at fair value through profit or loss, net	(876)	(3,246)
Other	<u>(165)</u>	<u>(9,457)</u>
	<u>\$ (5,999)</u>	<u>(22,707)</u>

(x) Financial instruments

(i) Credit risk

1) Credit risk – exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Company are diverse instead of concentrating on specific customers; therefore, the Company has not suffered any significant credit loss. The Company periodically evaluates the financial positions of these customers to reduce the credit risk of accounts receivables.

3) Receivables and debt securities

For credit risk exposure of note and account receivables, please refer to note 6(d). Other financial assets at amortized cost includes other receivables.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).) There was no change in the loss allowance provision as of December 31, 2019 and 2018.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2019					
Non-derivative financial liabilities					
Short-term — borrowings	\$ 695,000	(695,000)	(695,000)	-	-
Notes and accounts payable (including related parties)	3,041,705	(3,041,705)	(3,041,705)	-	-
Accrued expenses and other payables	145,511	(145,511)	(145,511)	-	-
Lease liabilities (including current and non-current)	<u>102,324</u>	<u>(108,724)</u>	<u>(34,898)</u>	<u>(22,275)</u>	<u>(51,551)</u>
	<u>\$ 3,984,540</u>	<u>(3,990,940)</u>	<u>(3,917,114)</u>	<u>(22,275)</u>	<u>(51,551)</u>
December 31, 2018					
Non-derivative financial liabilities					
Short-term — borrowings	\$ 470,000	(470,000)	(470,000)	-	-
Notes and accounts payable (including related parties)	2,239,800	(2,239,800)	(2,239,800)	-	-
Accrued expenses and other payables	<u>96,429</u>	<u>(96,429)</u>	<u>(96,429)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,806,229</u>	<u>(2,806,229)</u>	<u>(2,806,229)</u>	<u>-</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

(in thousands)

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
JPY	\$ 3,388,159	0.276	935,132	3,038,703	0.2782	854,367
USD	90,602	29.98	2,716,248	52,116	30.715	1,600,743
Financial liabilities						
Monetary items						
JPY	3,268,642	0.276	902,145	2,603,301	0.2782	724,238
USD	61,017	29.98	1,829,290	38,923	30.715	1,195,520

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account and other receivables, loans and borrowings, and account and other payables that are denominated in foreign currency. A appreciation (depreciation) of 5% of the each major foreign currency against Company's functional currency as of December 31, 2019 and 2018 would have influenced the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2019	December 31, 2018
USD (against the TWD)		
Appreciation 5%	\$ 44,348	20,261
Depreciation 5%	(44,348)	(20,261)
JPY (against the TWD)		
Appreciation 5%	1,649	6,506
Depreciation 5%	(1,649)	(6,506)

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. Foreign exchange gain (loss) (including realized and unrealized portions) were as follows:

	2019	2018
Foreign exchange gains (losses) (including realized and unrealized portions)	\$ <u>(4,958)</u>	<u>(10,004)</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	<u>Carrying amount</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Variable rate instruments:		
Financial assets	\$ 367,599	370,476
Financial liabilities	545,000	340,000

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by the amounts listed below for the years ended December 31, 2019 and 2018, respectively, which would be mainly resulted from the bank savings, time deposits with variable interest rates and borrowings.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest rate increased by 0.25%	\$ (444)	76
Interest rate decreased by 0.25%	444	(76)

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

	December 31, 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss-beneficiary certificate funds	\$ 8,374	8,374	-	-	8,374
Non derivative financial assets mandatorily measured at fair value through profit or loss-unlisted common shares	33,835	-	-	33,835	33,835
Non derivative financial assets mandatorily measured at fair value through profit or loss-foreign unlisted funds	<u>30,813</u>	-	-	30,813	30,813
Subtotal	<u>73,022</u>				
Financial assets at fair value through other comprehensive income	<u>812,805</u>	-	-	812,805	812,805
Financial assets measured at amortized cost					
Cash and cash equivalents	1,089,787	-	-	-	-
Notes and accounts receivable (including related parties)	3,039,310	-	-	-	-
Other current financial assets	24,865	-	-	-	-
Other non-current assets (refundable deposits and pledged asset-time deposits)	<u>5,452</u>	-	-	-	-
Subtotal	<u>4,159,414</u>				
Total	<u>\$ 5,045,241</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 695,000	-	-	-	-
Notes and accounts payable (including related parties)	3,041,705	-	-	-	-
Accrued expenses and other payables	145,511	-	-	-	-
Lease liabilities (including current and non-current)	<u>102,324</u>	-	-	-	-
Total	<u>\$ 3,984,540</u>				

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

	December 31, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss-beneficiary certificate funds	\$ 8,328	8,328	-	-	8,328
Non derivative financial assets mandatorily measured at fair value through profit or loss-unlisted common shares	36,978	-	-	36,978	36,978
Non derivative financial assets mandatorily measured at fair value through profit or loss-foreign unlisted funds	<u>16,303</u>	-	-	16,303	16,303
	<u>61,609</u>				
Financial assets at fair value through other comprehensive income	<u>563,812</u>	3,372	-	560,440	563,812
Financial assets measured at amortized cost					
Cash and cash equivalents	645,642	-	-	-	-
Notes and accounts receivable (including related parties)	2,281,135	-	-	-	-
Other current financial assets	32,886	-	-	-	-
Other non-current assets (refundable deposits and pledged assets-time deposits)	<u>7,183</u>	-	-	-	-
Subtotal	<u>2,966,846</u>				
Total	<u>\$ 3,592,267</u>				
Financial liabilities at amortized cost through profit or loss					
Short-term borrowings	\$ 470,000	-	-	-	-
Notes and accounts payable (including related parties)	2,239,800	-	-	-	-
Accrued expenses and other payables	<u>96,429</u>	-	-	-	-
Total	<u>\$ 2,806,229</u>				

2) Valuation techniques for financial instruments not measured at fair value

The Company valuation techniques and assumptions used for financial instrument not measured at fair value are as follows:

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

a) Financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and the government bond with high trading volume can be used as a basis to determine the fair value of the listed companies' equity instrument and the debt instrument of the quoted price in an active market.

4) Transfer from one level to another

There were no transfers from one level to another in 2019 and 2018.

5) Reconciliation of level 3 fair value

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Debt investment without quoted price	Equity investment without quoted price	Total
Balance on January 1, 2019	\$ 53,281	560,440	613,721
Total gains and losses recognized:			
In profit (loss)	(876)	-	(876)
In other comprehensive income	-	254,098	254,098
Purchased	13,462	-	13,462
Disposal	-	(1,733)	(1,733)
Proceeds of capital reduction of investment	(1,219)	-	(1,219)
Balance on December 31, 2019	<u>\$ 64,648</u>	<u>812,805</u>	<u>877,453</u>
Balance on January 1, 2018	\$ 38,130	540,536	578,666
Total gains and losses recognized:			
In profit (loss)	(3,246)	-	(3,246)
In other comprehensive income	-	19,904	19,904
Purchased	19,617	-	19,617
Proceeds of capital reduction of investment	(1,220)	-	(1,220)
Balance on December 31, 2018	<u>\$ 53,281</u>	<u>560,440</u>	<u>613,721</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

- 6) The quantified information on significant unobservable inputs (level 3) used in fair value measurement

The Company's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income— equity instruments and financial assets at fair value through profit or loss— equity securities investment.

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have single significant unobservable inputs, and equity investments without quoted price have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

The quantified information for significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter relationships between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income— equity investment without quoted price	Comparable market approach	Price Book ratio multiples. (7.07~61.72 and 11.2~40.13 on December 31, 2019 and 2018)	The higher the multiple is, the higher the fair value will be.
		Lack of Marketability discount rate (20% both on December 31, 2019 and 2018)	The higher the lack of marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss— debt investment without quoted price	Net asset value method	Net asset value	Inapplicable

- 7) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	Input	Move up or down	Impacts of fair value change on net income or loss		Impacts of fair value change on other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2019						
Financial assets at fair value through other comprehensive income						
Equity investment without quoted price	P/B ratio	5%	\$ -	-	40,686	40,686
	Lack of marketability discount	5%	\$ -	-	50,819	50,819

(Continued)

TOPCO SCIENTIFIC CO., LTD.
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	Input	Move up or down	Impacts of fair value change on net income or loss		Impacts of fair value change on other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Equity investment without quoted price	P/B ratio	5%	\$ -	-	27,989	27,982
	Lack of marketability discount	5%	\$ -	-	34,950	34,943

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(y) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Company minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

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(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Accounts and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Company continued to assess the financial condition and credit risk of its customers, by grouping account and other receivables based on their characteristics.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

Pursuant to the Company's policies, it is only permissible to provide financial guarantees to subsidiaries, companies that the Company has business with, and the investees, based on the percentage of ownership by each shareholder. As of December 31, 2019 and 2018, no guarantees were provided to non-subsidiary. The guarantees provided to subsidiaries please refer to note 13(a).

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Loans and borrowings from the bank form an important source of liquidity for the Company. The Company's unused credit line wee amounted to \$2,714,184 and \$3,639,833 as of December 31, 2019 and 2018, respectively.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily USD and JPY.

2) Interest rate risk

The Company borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow.

3) Other price risk

The Company is exposed to equity price risk arising from mutual funds, listed companies' equity investments and emerging stock investments.

(z) Capital management

The policy of Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors the capital structure by way of periodical review on the liability ratio. The management decided to optimize its capital by using appropriate debt-to-equity ratio. The capital of the Company represents the total equity stated in the balance sheets that is equal to the total assets, minus, total liabilities.

As of December 31, 2019 and 2018, the liability ratio was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 5,237,807	3,832,768
Total assets	14,750,021	12,393,737
Liability ratio	36 %	31 %

As of December 31, 2019, there were no changes in the Company's approach to capital management.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(aa) Investing and financing activities not affecting current cash flow

The Company's investing and financial activities which did not affect the current cash flow in the year ended December 31, 2019, included the acquisition of right-of-use assets through lease. Please refer to note 6(i) for details.

There is no non-cash investing and financing activities in the year ended December 31, 2018.

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2019</u>	<u>Cash flow</u>	<u>Non-cash charges Additions of leases</u>	<u>December 31, 2019</u>
Short term borrowings	\$ 470,000	225,000	-	695,000
Lease liabilities	94,901	(27,708)	35,131	102,324
Guarantee deposits received	1,566	(966)	-	600
Total liabilities from financing activities	<u>\$ 566,467</u>	<u>196,326</u>	<u>35,131</u>	<u>797,924</u>

	<u>January 1, 2018</u>	<u>Cash flow</u>	<u>December 31, 2018</u>
Short term borrowings	\$ 590,000	(120,000)	470,000
Guarantee deposits received	-	1,566	1,566
Total liabilities from financing activities	<u>\$ 590,000</u>	<u>(118,434)</u>	<u>471,566</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Taiwan E&M System Inc. (Taiwan E&M)	Subsidiary
Topco Group Ltd. (Topco Group)	Subsidiary
Topco International Investment Co., Ltd. (Topco International Investment)	Subsidiary
Topco Investment Co., Ltd. (Topco Investment)	Subsidiary
ECO Technology Services Co., Ltd. (Chien Yueh)	Subsidiary
Hong Kong Topco Trading Limited (Topco Trading)	Subsidiary
Asia Topco Investment Ltd. (Asia Topco)	Subsidiary
Cityspace International Co., Ltd. (Cityspace)	Subsidiary
Kuan Yueh Technology Engineering Co., Ltd. (Kuan Yueh Technology)	Subsidiary

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jia Yi Energy Co., Ltd. (Jia Yi Energy)	Subsidiary
Kanbo Biomedical Co., Ltd. (Kanbo Biomedical)	Subsidiary
Jing Chen Energy Co., Ltd. (Jing Chen)	Subsidiary
Jing Yang Energy Co., Ltd. (Jing Yang)	Subsidiary
Anyong Biotechnology, Inc. (Anyong Biotechnology)	Subsidiary
Anyong FreshMart. Inc (Anyong Fresh Mart)	Subsidiary
Topchem Materials Co., Ltd. (Topchem Materials)	Subsidiary
Xiang Yueh Co., Ltd. (Xiang Yueh)	Subsidiary
Multi Rich Technology Co., Ltd. (Multi Rich Technology)	Subsidiary
Ming Jen Restaurant Business Co., Ltd. (Ming Jen Restaurant)	Subsidiary
Jing Yueh Energy Co., Ltd. (Jing Yueh Energy)	Subsidiary
Suzhou Topco Construction Ltd. (Topco Suzhou)	Subsidiary
Topco Scientific (Shanghai) Co. Ltd. (Topco Shanghai)	Subsidiary
Shanghai Chongyao Trading Co., Ltd. (Shanghai Chongyao)	Subsidiary
Topco Chemical (Z.F.T.Z) Co., Ltd. (Topco Chemical)	Subsidiary
Topscience (s) Pte Ltd. (Topscience (s))	Subsidiary
Topscoco Scientific (Japan) Co., Ltd. (Topco Japan)	Subsidiary
DIO Energy GmbH(DIO)	Subsidiary
Ding Yue Solar Co., Ltd. (Ding Yue Solar)	Subsidiary
General Precise Technology Co. Ltd. (General Precise)	Subsidiary
Yilan Anyong Lohas Co., Ltd. (Anyong Lohas)	Subsidiary
Advanced Fishery Co., Ltd. (Advanced Fishery)	Subsidiary
Topscience Vietnam Co., Ltd. (Topscience Vietnam)	Subsidiary
Anyong (s) Pte. Ltd. (Anyong(s))	Subsidiary
Topco Quartz Products Co., Ltd. (Topco Quartz)	Associate
Fortune Energy Corporation (Fortune)	Associate
Shin-Etsu Handotai Taiwan Co, Ltd. (Shin-Etsu Handotai Taiwan)	The Company is the corporate director of the related party
Shin-Etsu Opto Electronics Co. Ltd. (Shin-Etsu Opto Electronics)	The Company is the corporate director of the related party

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

1) Sales

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 29,836	35,375
Associates	-	3,311
Other related parties	<u>41,813</u>	<u>44,654</u>
	<u>\$ 71,649</u>	<u>83,340</u>

Sales terms for related parties were similar to those of the third-party customers. The collection period was 30 to 90 days for related parties.

2) Service revenue — commission and others

The amounts of significant service transactions between the Company and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Associates:		
Topco Quartz	\$ 174,174	115,344
Other related parties:		
Shin-Etsu Handotai Taiwan	267,791	260,536
Other related parties	<u>396</u>	<u>271</u>
	<u>\$ 442,361</u>	<u>376,151</u>

The terms of tradings with relate parties were based on the contracts signed between both parties, and there was no significant difference with the third-party customers.

(ii) Purchases

The amounts of significant purchase transactions between the Company and related parties were as follows:

	<u>2019</u>	<u>2018</u>
Subsidiary	\$ 28,703	6,702
Associates	549,488	732,991
Other related parties	<u>28,110</u>	<u>27,208</u>
	<u>\$ 606,301</u>	<u>766,901</u>

Purchase terms for related parties were similar to those form third-party suppliers. The payment period was 30 to 90 days for related parties.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(iii) Acquisition of land and fixed assets

As of December 31, 2018, the Company appointed its subsidiary to construct the fixed asset amounting to \$49,341, which had been recorded under property, plant and equipment.

(iv) Operating lease

The amount of lease income recorded by the Company from leasing to related parties were as follows:

	<u>2019</u>	<u>2018</u>
Anyong Lohas	\$ 8,750	15,180
Other subsidiaries	<u>16,259</u>	<u>12,792</u>
	<u>\$ 25,009</u>	<u>27,972</u>

(v) Other income

The Company appointed Anyong Lohas to operate its tourism factory and Anyong Biotechnology to run its aqua-cultural product processing factory. Both of them share their operating results through revenue sharing agreement, based on which the Company was paid monthly.

	<u>2019</u>
Subsidiaries	\$ <u>4,000</u>

(vi) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Accounts receivable	Subsidiaries	\$ 6,666	10,233
Accounts receivable	Associates	33,007	19,946
Accounts receivable	Other related parties	49,637	50,899
Other receivable	Subsidiaries	9,631	11,170
Other receivable	Associates	<u>31</u>	<u>676</u>
		<u>\$ 98,972</u>	<u>92,924</u>

(vii) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Accounts payable	Subsidiaries	\$ 3,703	2,062
Accounts payable	Associates	146,118	116,300
Accounts payable	Other related parties	<u>6,593</u>	<u>13,829</u>
		<u>\$ 156,414</u>	<u>132,191</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(viii) Guarantees

The credit limit of the guarantees the Company provided to related parties were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries		
Topco Suzhou	\$ 1,321,428	1,033,123
Topco Shanghai	731,840	752,047
Shanghai Chongyao	1,219,829	2,218,478
Chien Yueh	1,786,856	930,000
Other subsidiaries	1,405,038	1,309,060
	\$ 6,464,991	6,242,708

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 163,481	142,734
Post-employment benefits	4,832	4,979
	\$ 168,313	147,713

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2019	December 31, 2018
Other non-current assets-time deposits	Deposits for lease	\$ 2,380	1,880

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitments were as follow:

	December 31, 2019	December 31, 2018
Commitments for construction contracts	\$ 7,258	10,973
Bank guarantees to construction contracts	\$ 630	3,676

(b) The Company's unused and outstanding letters for purchasing are as follow:

	December 31, 2019	December 31, 2018
Unused and outstanding letters of credit	\$ 1,096,842	794,660

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

(a) The followings are the summary statement of employee benefits, depreciation and amortization expenses by function:

By function By item	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	33,134	720,162	753,296	28,369	700,464	728,833
Labor and health insurance	-	44,079	44,079	-	44,645	44,645
Pension	-	31,140	31,140	-	31,296	31,296
Remuneration of directors	-	19,685	19,685	-	16,263	16,263
Other employee benefits	-	38,738	38,738	-	44,582	44,582
Depreciation	10,361	79,599	89,960	7,340	32,333	39,673
Amortization	-	8,368	8,368	-	3,997	3,997

The number of employees and employee benefit expenses of the Company as of the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Number of employees	<u>510</u>	<u>511</u>
Non-employee directors	<u>3</u>	<u>3</u>
Average benefit expense per employee	<u>\$ 1,711</u>	<u>1,672</u>
Average salary expense per employee	<u>\$ 1,486</u>	<u>1,435</u>
Average salary expense adjustment per employee	<u>3.55 %</u>	

During the years ended December 31, 2019 and 2018, the depreciation arising from investment properties amounting to \$8,750 and \$13,800, respectively, was recognized as a reduction of rental income.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 1)	Maximum limit of fund financing (note 1)
													Item	Value		
0	Topco Suzhou	Topco Chemical	Other current financial assets	Yes	223,600	-	-	4.35%~4.946%	Short-term financing	-	Operating demand	-	-	-	389,730	584,595

Note 1 : According to Topco Suzhou's "Operational Procedures for Lending of Capital to Others", the total amount of loans to the parent company's 100% directly or indirectly owned overseas subsidiaries or the amount to a single enterprise among them shall not exceed 150% and 100%, respectively, of the net monetary amount of the financial reports of the latest month when transaction occurs. The period of loans for funding shall not exceed three years.

Note 2 : The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	"	Topco Shanghai	(Note 2)	(Note 3)	781,440	731,840	258,782	-	7.69 %	(Note 3)	Y	-	Y
"	"	Topco Suzhou	(Note 2)	(Note 3)	1,711,137	1,321,428	608,598	-	13.89 %	(Note 3)	Y	-	Y
"	"	Chien Yueh	(Note 2)	(Note 3)	1,786,856	1,786,856	797,577	-	18.78 %	(Note 3)	Y	-	-
"	"	Jia Yi Energy	(Note 2)	(Note 3)	282,177	182,177	45,752	-	1.92 %	(Note 3)	Y	-	-
"	"	Jing Chen	(Note 2)	(Note 3)	94,788	83,052	81,252	-	0.87 %	(Note 3)	Y	-	-
"	"	Topsience(s)	(Note 2)	(Note 3)	298,610	298,610	117,792	-	3.14 %	(Note 3)	Y	-	-
"	"	Jing Yang	(Note 2)	(Note 3)	97,000	85,000	85,000	-	0.89 %	(Note 3)	Y	-	-
"	"	Anyong Fresh Mart.	(Note 2)	(Note 3)	12,000	12,000	2,713	-	0.13 %	(Note 3)	Y	-	-
"	"	Jing Yueh Energy	(Note 2)	(Note 3)	220,397	172,107	171,081	-	1.81 %	(Note 3)	Y	-	-
"	"	Kuan Yueh Technology	(Note 2)	(Note 3)	497,478	407,517	230,611	-	4.28 %	(Note 3)	Y	-	-
"	"	Topchem Materials	(Note 2)	(Note 3)	100,000	100,000	-	-	1.05 %	(Note 3)	Y	-	-
"	"	Topco Trading	(Note 2)	(Note 3)	92,310	-	-	-	- %	(Note 3)	Y	-	Y
"	"	Shanghai Chongyao	(Note 2)	(Note 3)	1,905,628	1,219,829	1,029,140	-	12.82 %	(Note 3)	Y	-	Y
"	"	Topco Chemical	(Note 2)	(Note 3)	138,090	64,575	-	-	0.68 %	(Note 3)	Y	-	Y

Note 1 : The Company is coded as "0", and its subsidiaries are coded consecutively in a numerical order starting from "1"

Note 2 : Investee companies which have 50% of ordinary shares, directly or indirectly, owned by the Company.

Note 3 : According to the Company's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed \$15,219,542, which is 160% of the net value of the Company's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed \$9,512,214, which is the net value of the Company's latest financial reports.

Note 4 : The maximum amount of sharing guarantees and endorsements is CNY\$200,000, the maximum amount for guarantees and endorsements are for Topco Shanghai CNY\$30,000, Topco Suzhou CNY\$95,000, Shanghai Chongyao CNY\$60,000, and Topco Chemical CNY\$15,000, respectively.

Note 5 : The balance of guarantees and endorsements as of reporting date which duplicate calculation because the board meeting convening in advance and extending contracts are for Topco Shanghai \$149,900, Topco Suzho \$149,900, Chien Yuen \$200,000, Topsience(s)\$179,880, and Topchem Materials \$50,000, respectively.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Fund: Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	665	8,374	-	8,374	
"	Stock: Eversol Corporation	None	Non-current financial assets at fair value through other comprehensive income	230	-	8.21	-	
The Company	Shin-Etsu Opto Electronic	The company is the insitutional directors of the related party	"	2,000	48,340	10	48,340	
"	Shin-Etsu Handotai Taiwan Everglory Resource Technology Co., Ltd.	"	"	12,000	740,640	8	740,640	
"	Terx Technology, Inc.	None	"	2,000	18,060	8.18	18,060	
"	ProMOS Technologies Inc.	"	"	728	5,147	2.56	5,147	
"	Top Taiwan V Venture Capital Co., Ltd.	"	Non-current financial assets at fair value through profit or loss	71	618	0.16	618	
"	Grand Fortune	"	"	569	865	4.07	865	
"	Other: LEAP FUND L.P.	"	"	3,000	32,970	4.12	32,970	
The Company	LEAP FUND L.P.	None	Non-current financial assets at fair value through profit or loss	-	30,813	14.75	30,813	
Topco International Investment	Stock: Win Win Precision Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	734	11,291	1.61	11,291	
"	Mylight Technology Co., Ltd. (Mylight)	"	"	250	-	0.76	-	
"	Archers Inc.	"	"	625	-	1.93	-	
"	Ultramed Technology Co., Ltd.	"	"	100	1,507	5.26	1,507	
"	3XL Energy Solutions Holding Co., Ltd.	"	"	250	-	13.16	-	
"	Sunergy development corporation	"	"	285	43	19	43	
"	Mycropore Corporation Ltd.	"	"	400	3,904	2.39	3,904	
"	Syu Yang Technology Corporation	"	Non-current financial assets at fair value through profit or loss	30	-	10	-	
"	TAIYING RESOURCE INDUSTRIAL CORP.	"	"	2,130	17,956	17.04	17,956	
"	Other: E&R Engineering Corporation convertible bonds	None	Non-current financial assets at fair value through profit or loss	73	7,843	-	7,843	
Topco Investment	Fund: Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	146	2,178	-	2,178	
Topco Investment	Stock: Mylight	"	Non-current financial assets at fair value through other comprehensive income	250	-	0.76	-	
"	Hun Chun Venture Capital Corporataion	None	Non-current financial assets at fair value through profit or loss	2,500	20,650	5.75	20,650	
Taiwan E&M	Fund: Taishin Ta-Chong Money Market	"	"	3,679	52,460	-	52,460	
"	Mega Diamond Money Market Fund	"	"	4,176	52,585	-	52,585	

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Taiwan E&M	Franklin U.S. Government Money Fund	None	Current financial assets at fair value through profit or loss	4,187	43,462	-	43,462	
	FSITC Taiwan Money Market Fund	"	"	1,317	20,239	-	20,239	
Cityspace	Eastspring Investments Well Pool Money Market Fund	None	Current financial assets at fair value through profit or loss	456	6,231	-	6,231	
Anyong Freshmart, Inc	Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	338	5,031	-	5,031	
"	Victory Money Market Fund	None	"	431	5,005	-	5,005	
Ding Yue Solar	FSITC Money Market	None	Current financial assets at fair value through profit or loss	9	1,535	-	1,535	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Topco Quartz	The Company's investment accounted for using equity method	Purchase	549,488	3 %	Net 60 days from the end of the month of delivery	-	-	(146,118)	(5)%	
"	"	"	Sale	(174,174)	(1)%	Net 60 days from the end of the month of delivery	-	-	33,007	1 %	
"	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Sale	(309,604)	(2)%	Net 30 days from the end of the month of delivery	-	-	49,521	2 %	
Topco Shanghai	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Purchase	5,644,078	83 %	Net 90 days from the end of the month of delivery	-	-	(1,469,146)	(88)%	
General precise	Topco Quartz	The Company's investment accounted for using equity method	Sale	(133,363)	(100)%	Net 90 days from the end of the month of delivery	-	-	32,268	99 %	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None.

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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars and foreign currencies)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/ losses of investee	Note	
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Topco Quartz	Hsinchu County	Manufacture and repair of quartz equipment, quartz tube e.g.	99,232	99,232	13	40%	1,190,052	762,776	315,075		
	Taiwan E&M	Hsinchu City	Sales of electronic material	425,000	425,000	42,500	100%	493,582	54,889	54,889		
	Fortune	Taipei City	Clean up of waste and environmental management service	187,000	187,000	18,700	25%	338,403	134,665	33,631		
	Topco Group	Samoa	Investment activities	493,981	493,981	15,518	100%	2,220,600	455,792	455,792		
	Topco International Investment Co Ltd	Taipei City	Investment activities	340,000	340,000	37,000	100%	291,888	32,214	32,258		
	Topco Investment	Taipei City	Investment activities	210,000	210,000	21,000	100%	60,284	(24,994)	(24,994)		
	Chien Yueh	Taipei City	Water purification and construction of dust-proof room	200,000	150,000	22,293	100%	255,511	33,339	33,650		
	Winaico	Germany	Investment activities	184,929	184,929	5,000	28%	-	(97)	-		
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	440,000	360,000	19,882	99%	122,200	(53,445)	(53,017)		
	Winfull Bio-tech Co., Ltd.	Tainan City	Manufacture of organic fertilizer	35,000	35,000	3,500	39%	-	-	-		
	Anyong Fresh Mart.	Taipei City	Wholesale and retail sales of fishery products and supermarket operation	464,350	414,350	21,800	100%	75,641	(57,005)	(57,002)		
	Kambo Biomedical	Taipei City	Sales of health food products	50,000	50,000	909	91%	1,302	(272)	(248)		
	Kuan Yueh	Taipei City	Development of renewable energy project / Configure pipeline construction and device installation	19,000	19,000	2,328	21%	25,411	8,037	1,668		
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	130,000	130,000	14,319	76%	76,607	(4,818)	(9,435)		
	Xiang Yueh	Taipei City	Sports training	30,000	30,000	600	100%	3,628	(62)	(62)		
	Anyong Lohas	Yilan County	Restaurant and retail sales of food products	317,000	257,000	21,700	100%	97,413	(71,341)	(71,330)		
	General Precise.	Hsinchu County	Process and sales of quartz products	14,301	-	1,000	100%	26,423	23,225	12,122		
									5,278,945	722,997		
	Topco Group	Asia Topco	Mauritius	Investment activities	392,318 (USD13,086)	392,318 (USD12,650)	13,086	100%	1,527,961	365,282	Investment gain (losses) recognized by Topco Group	
		Topscience(s)	Singapore	Sales of parts of semiconductor and optoelectronic industries	11,140 (SGD500)	11,140 (SGD500)	500	100%	273,723	30,328	"	
Hong Kong Topco Trading Limited		Hong Kong	Wholesale of semiconductor material and electronic material	44,970 (USD1,500)	44,970 (USD1,500)	1,500	100%	328,575	57,718	"		

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
Topscience(s)	Topscience Vietnam	Vietnam	Sales of parts of semiconductor and optoelectronic industries	7,495 (USD250)	-	-	100%	5,125	(1,824)	Investment gain (losses) recognized by Topscience(s)	
	Anyong(s)	Singapore	Wholesale and retail sales of aquaculture products	-	-	-	100%	-	-	"	
	Cityspace	Taipei City	Wholesale and sales of cosmetic	12,000	12,000	1,267	67%	17,011	3,961	Investment gain (losses) recognized by Topco International Investment Co., Ltd	
	Topco Japan	Japan	Sales of facilities of semiconductor and clean room	15,094	15,094	5	100%	2,478	277	"	
	Kuan Yueh	Taipei City	Development of renewable energy projects / Configure pipeline construction and device installation	87,000	87,000	8,885	79%	96,993	8,037	"	
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	24,000	24,000	4,406	24%	45,111	(4,818)	"	
	Kanbo Biomedical	Taipei City	Sales of health food products	5,000	5,000	91	9%	130	(272)	"	
	Ruey Sheng Industrial Co., Ltd	Samoa	Investment activities	4,197	4,197	142	36%	-	(320)	"	
	DIO	Germany	Development of renewable energy project	23,849	23,849	592	100%	(126)	-	"	
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	5,000	5,000	118	0.59%	725	(53,445)	"	
	Topchem Materials	Taipei City	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	31,000	31,000	3,929	100%	61,764	19,923	"	
	Jing Yueh Energy	Taipei City	Development of renewable energy project	63,000	63,000	7,513	100%	81,619	5,140	"	
	Fortune	Taipei City	Clean up of waste and environmental management service	871	871	50	0.07%	950	134,665	"	
	Topco Investment	Multi Rid Technology	Taipei City	Wholesale of fishery products	20,500	20,500	2,050	98.00%	3,485	(683)	Investment gain(losses) recognized by Topco Investment
Ding Yue Solar		Taipei City	Development of renewable energy project	9,000	9,000	900	100%	4,172	(45)	"	
Advanced Fishery		Taipei City	Aquaculture industry and wholesale of fishery products	29,299	29,175	1,200	100%	4,499	(6,924)	"	
Bon vivant		Taipei City	Health Management consultant	-	5,000	-	-%	-	(1,275)	"	
Min Jen Restaurant		Taipei City	Restaurant	110,000	110,000	11,000	69%	22,684	(20,757)	"	
Jia Yi energy	Jing Chen	Taipei City	Development of renewable energy project	66,050	61,050	7,086	100%	56,866	(16,186)	Investment gain(losses) recognized by Jia Yi energy	
	Jing Yang	Taipei City	"	70,497	70,497	6,300	100%	71,932	5,036	"	
Taiwan E&M	General precise	Hsinchu Country	Process and sales of quartz products	-	46,066	-	-%	-	23,225	Investment gain(losses) recognized by Taiwan E&M from January to July	

Note 1: The amounts in foreign currencies were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of US Dollars and CNY)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Topco Shanghai	Wholesale of electronic material and equipment	263,524 (USD8,790) (Note 4)	Note 1	203,864 (USD6,800)	-	-	203,864 (USD6,800)	266,249 (USD8,615)	100 %	266,249 (USD8,615)	1,082,502 (USD36,107)	-
Shanghai Chongyao		55,965 (CNY13,000)	Note 5	Note 5	-	-	-	46,403 (RMB10,378)	100 %	46,403 (RMB10,378)	212,179 (RMB49,287)	-
Topco Suzhou	Water purification and construction of dust-proof room	80,946 (USD2,700)	Note 1	80,946 (USD2,700)	-	-	80,946 (USD2,700)	76,039 (USD2,460)	100 %	76,039 (USD2,460)	389,730 (USD13,000)	-
Topco Chemical		13,281 (USD443)	Note 1	13,281 (USD443)	-	-	13,281 (USD443)	22,947 (USD742)	100 %	22,947 (USD742)	48,524 (USD1,619)	-

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
389,530 (USD12,993) (Note 6)	494,160 (USD16,483)	(Note 7)

Note 1 : Investment in Mainland China companies through an investee established in a third region.

Note 2 : The investment gains and losses of the current period are recognized based on the financial statements which have been audited by CPA.

Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rate of USD29.98 and CNY4.305, respectively, based on the year-end date.

Note 4 : Including the capital increase transferred from retained earnings amounting to USD1,990 thousands.

Note 5 : Shanghai Chongyao is jointly invested by Topco Shanghai and Topco Suzhou, both of which are the sub-subsidiary of the Company.

Note 6 : Including the written-off investment funds of USD3,050 thousands.

Note 7 : The Company has acquired proof of compliance regarding the operational scope of the corporate headquarters issued by the Ministry of Economic Affairs. Therefore, there is no restriction to the Company's investing amount in Mainland China.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial reports for the year ended December 31, 2019.

Topco Scientific Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ <u>1,789</u>
Checking accounts and demand deposits	NTD	26,518
	Foreign currencies (including USD 7,580 thousands, JPY 395,752 thousands and others)	<u>341,960</u>
		<u>368,478</u>
Time deposits	Foreign currency (including USD 24,000 thousands, maturity date : 2020.01.07~2020.01.17)	<u>719,520</u>
Total		<u>\$ 1,089,787</u>

Note: The exchange rate is 29.98 New Taiwan dollars for 1 US dollar ; 0.2760 New Taiwan dollars for 1 JPY dollar.

Statement of Notes and Accounts Receivable

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes receivable (Note)	Non-related party sales	\$ <u>20,923</u>
Accounts receivable :		
Taiwan Semiconductor Manufacturing Co., Ltd.	Non-related party sales	884,627
SAKAI SIO International GuangZhou Co.,LTD	"	278,432
Others (Note)	"	<u>1,780,340</u>
		2,943,399
Less: Allowance for uncollectible accounts		<u>(14,322)</u>
Total		<u>\$ 2,950,000</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

Topco Scientific Co., Ltd.

Statement of Other Current Financial Assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivable	Discounts from suppliers, etc.	\$ 28,345
Less: Allowance for uncollectible accounts		<u>(3,755)</u>
		24,590
Others	Interest receivable, etc.	<u>275</u>
Total		<u>\$ 24,865</u>

Statement of Inventories

<u>Item</u>	<u>Cost</u>	<u>Net Realizable Value</u>
High technology products (Note 1)	\$ 1,632,646	1,742,718
Less : Allowance for loss on inventory	<u>(7,206)</u>	
	1,625,440	
Goods in transit	33,886	33,886
Others	<u>93</u>	<u>93</u>
Total	<u>\$ 1,659,419</u>	<u>1,776,697</u>

Noet 1: Including integrated circuit, optoelectronics, packaging materials and electronic component products, etc.

Topco Scientific Co., Ltd.**Statement of Prepayment****December 31, 2019****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepayment for purchases		\$ 35,815
Prepaid expenses	Prepaid rent and insurance, etc.	15,921
Temporary debits	Fees paid on behalf of employees and suppliers, etc.	51,218
Others (Note)	Prepaid stationery and postage, etc.	<u>675</u>
Total		<u>\$ 103,629</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.

Topco Scientific Co., Ltd.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars and Shares)

Investees Company	Balance, January 1, 2019		Increase (Decrease) (Note1)		Share of profits (losses) recognized	Amounts of exchanges difference on translation foreign operations	Other adjustment (Note2)		Balance, December 31, 2019		Market price or net value	Collaterals or pledged assets	
	Shares	Amounts	Shares	Amounts			Shares	Amounts	Shares	Amounts			Percentage of ownership
Topco Quartz	13	\$ 964,577		(89,600)	315,075	-	-	-	13	40 %	1,190,052	1,204,482	None
Taiwan E&M	42,500	490,514		(51,821)	54,889	-	-	-	42,500	100 %	493,582	493,582	None
Fortune	18,700	333,719		(28,947)	33,631	-	-	-	18,700	25 %	338,403	338,403	None
Topco Group	15,518	1,837,968		-	455,792	(73,160)	-	-	15,518	100 %	2,220,600	2,220,600	None
Topco International Investment	34,000	272,329	3,000	(11,617)	32,258	(164)	(918)		37,000	100 %	291,888	366,349	None
Topco Investment	21,000	85,289		(11)	(24,994)	-	-	-	21,000	100 %	60,284	60,284	None
Chien Yueh	16,768	171,861	5,525	50,000	33,650	-	-	-	22,293	100 %	255,511	258,818	None
Winaco	5,000	-		-	-	-	-	-	5,000	28 %	-	-	None
Anyong Biotechnology	19,804	95,426	78	79,791	(53,017)	-	-	-	19,882	99 %	122,200	122,200	None
Winfull Bio-tech Co.,Ltd	3,500	-		-	-	-	-	-	3,500	39 %	-	-	None
Anyong Fresh Mart	16,800	82,643	5,000	50,000	(57,002)	-	-	-	21,800	100 %	75,641	75,638	None
Kanbo Biomedical	909	1,550		-	(248)	-	-	-	909	91 %	1,302	1,302	None
Kuan Yueh	2,251	23,743	77	-	1,668	-	-	-	2,328	21 %	25,411	25,411	None
Jia Yi Energy	13,000	86,042	1,319	-	(9,435)	-	-	-	14,319	76 %	76,607	146,605	None
Xiang Yueh	600	3,690		-	(62)	-	-	-	600	100 %	3,628	3,628	None
Anyong Lohas	25,700	108,743	(4,000)	60,000	(71,330)	-	-	-	21,700	100 %	97,413	97,402	None
General Precise		-	1,000	14,301	12,122	-	-	-	1,000	100 %	26,423	26,423	None
Total		\$ 4,558,094		72,096	722,997	(73,324)	(918)				5,278,945		

Note1 : The change in the current period included the cash dividend of \$196,115 and the investment increase of \$268,221, remeasurement of defined benefit plans of \$1, the Company's subsidiary not purchasing new shares in proportion to its original ownership interest, resulting in its capital surplus to be debited by \$3 and its retained earnings to be debited by \$8.

Note2 : The Company decreased its other equity by \$918 based on its investee's adjustments by using International Financial Reporting Standards No. 9.

Topco Scientific Co., Ltd.

Statement of Changes in Property, Plant and Equipment

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h).

Statement of Changes in Right-of-use Assets

Please refer to note 6(i).

Statement of Short-term Borrowings

December 31, 2019

<u>Type of loan</u>	<u>Description</u>	<u>Contract Term</u>	<u>Range of Interest Rates (%)</u>	<u>Loan Commitments</u>	<u>Collaterals or pledged assets</u>	<u>Amount</u>
Credit loans	Operating capital	Due within one year	0.725%~0.73%	\$ 700,000	None	545,000
"	"	"	0.73%	700,000	"	150,000
Total				<u>\$ 1,400,000</u>		<u>695,000</u>

Note : The financial institutions included Mizuho Bank and Mitsubishi UFJ Bank.

Topco Scientific Co., Ltd.

Statement of Notes and Accounts Payable

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
A Company	Non-related party operating costs	\$ 2,282,086
Others (Note)		<u>603,205</u>
Total		<u>\$ 2,885,291</u>

Note : The amount of individual vendor included in others does not exceed 5% of the account balance.

Statement of Other Current Financial Liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accrued payroll, bonuses, employees and directors' compensations	Estimated year-end bonuses, performance bonuses, employees benefits and employees and directors' compensations in 2019	\$ 289,108
Customs clearance fee payables		34,272
Others	Accrued expense of vendors and employees and labor and health insurance expenses, etc.	<u>115,401</u>
Total		<u>\$ 438,781</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.

Topco Scientific Co., Ltd.
Statement of Lease Liabilities
December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>
Land	5~8 years	1.56 %	\$ 2,699
Buildings	1~20 years	1.56 %	71,997
Vehicles	1~4 years	1.56 %	<u>27,628</u>
			102,324
Less: classified as current portion			<u>(33,610)</u>
Non-current lease liabilities			<u>\$ 68,714</u>

Statement of Operating Revenues
For the year ended December 31, 2019

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Semiconductor and optoelectronics related products	Note	\$ 18,814,903
Others		<u>21,781</u>
		<u>\$ 18,836,684</u>

Note: Due to the many of different kinds of product unit and no consistent methodology of unit quantification; therefore, the quantity was not disclosed.

Topco Scientific Co., Ltd.

Statement of Operating Costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Inventories, beginning of the year	\$ 1,562,334
Add: Purchase of inventories	16,336,915
Less: Inventories, end of the year	(1,666,625)
Transferred to operating expenses and others	(9,674)
Transferred to other operating costs-maintenance costs and construction in progress	<u>(16,712)</u>
Cost of sales	16,206,238
Indemnity of inventories and others	93
Allowance for loss on inventories	<u>1,171</u>
	<u>16,207,502</u>
Other operating costs	<u>150,321</u>
Operating costs	<u>\$ 16,357,823</u>

Statement of Operating Expenses

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Wages and salaries	\$ 310,430	401,662	8,070
Rent expenses	14,678	8,772	563
Shipping expenses	35,258	185	3
Traveling expenses	7,828	7,932	1,472
Depreciation	21,970	57,605	24
Others(Note)	<u>152,368</u>	<u>187,001</u>	<u>4,539</u>
Total	<u>\$ 542,532</u>	<u>663,157</u>	<u>14,671</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.