

TOPCO SCIENTIFIC CO., LTD.**Financial Statements**

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

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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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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.

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

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 1,082,787	7	645,462	5	2100 Short-term borrowings (note 6(i))	\$ 695,000	5	470,000	4
1110 Current financial assets at fair value through profit or loss (notes 6(b))	8,374	-	8,328	-	2130 Current contract liabilities (note 6(i))	165,023	1	130,069	1
1170 Notes and accounts receivable, net (note 6(d))	2,950,000	20	2,200,057	18	2170 Notes and accounts payable	2,885,291	20	2,107,609	17
1180 Notes and accounts receivable due from related parties, net (notes 6(d) and 7)	89,310	1	81,078	1	2180 Notes and accounts payable to related parties (note 7)	156,414	1	132,191	1
1476 Other current financial assets (notes 6(e) and 7)	24,865	-	32,886	-	2200 Other current financial liabilities	438,781	3	355,562	3
1311 Inventories, net (note 6(f))	1,659,419	11	1,556,299	13	2251 Current provisions (note 6(n))	866	-	1,207	-
1479 Other current assets, others	103,629	1	160,638	1	2280 Current lease liabilities (note 6(m))	33,610	-	-	-
	5,925,384	40	4,684,748	38	2365 Current refund liabilities	57,737	-	21,096	-
					2399 Other current liabilities	172,158	1	138,358	1
Non-current assets:						4,604,880	31	3,356,092	27
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	64,648	-	53,281	-	Non-Current liabilities:				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(g))	812,805	6	563,812	5	2570 Deferred tax liabilities and other non-current liabilities (note 6(q))	359,517	2	277,882	2
1550 Investments accounted for using equity method (note 6(g))	5,278,945	36	4,558,094	37	2580 Non-current lease liabilities (note 6(m))	68,714	1	-	-
1600 Property, plant and equipment (note 6(h))	2,386,776	16	1,644,721	13	2640 Non-current net defined benefit liability (note 6(p))	204,696	2	198,794	2
1755 Right-of-use assets (note 6(i))	102,054	1	-	-		632,927	5	476,676	4
1760 Investment property, net (note 6(j))	-	-	728,382	6		5,237,807	36	3,832,768	31
1840 Deferred tax assets (note 6(q))	119,982	1	98,168	1	Total liabilities				
1900 Other non-current assets (note 6(k) and 8)	59,427	-	62,531	-	Equity attributable to owners of parent:				
	8,824,637	60	7,708,989	62	3100 Ordinary shares (note 6(r))	1,816,996	12	1,816,996	15
Total assets	\$ 14,750,021	100	12,393,737	100	3200 Capital surplus (note 6(r))	2,340,676	16	2,340,679	19
					3300 Retained earnings (note 6(r))	4,917,348	33	4,164,150	33
					3400 Other equity (note 6(r))	437,194	3	239,144	2
					Total equity	9,512,214	64	8,560,969	69
					Total liabilities and equity	\$ 14,750,021	100	12,393,737	100

See accompanying notes to financial statements.

(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	<u>1,220,360</u>	<u>6</u>	<u>1,140,207</u>	<u>7</u>
	Net operating income	<u>1,258,501</u>	<u>7</u>	<u>1,181,184</u>	<u>8</u>
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))	<u>329,586</u>	<u>2</u>	<u>291,157</u>	<u>2</u>
	Profit (loss)	<u>1,722,308</u>	<u>9</u>	<u>1,404,675</u>	<u>9</u>
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	<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 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	<u>(14,632)</u>	<u>-</u>	<u>(3,422)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(58,692)</u>	<u>-</u>	<u>(7,799)</u>	<u>-</u>
8300	Other comprehensive income	<u>191,956</u>	<u>1</u>	<u>4,580</u>	<u>-</u>
	Comprehensive income	<u>\$ 1,914,264</u>	<u>10</u>	<u>1,409,255</u>	<u>9</u>
Earnings per share: (note 6(s))					
9750	Basic earnings per share (NT dollars)	\$ <u>9.48</u>		<u>7.73</u>	
9850	Diluted earnings per share (NT dollars)	\$ <u>9.42</u>		<u>7.68</u>	

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		
	Unappropriated					Unrealized		
	earnings					gains (losses) on		
	earnings					financial assets		
	earnings					differences on		
	earnings					translation of		
	earnings					foreign		
	earnings					financial		
	earnings					statements		
	earnings					through other		
	earnings					comprehensive		
	earnings					income		
	earnings					Total		
	earnings					other equity		
	earnings					Total		
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(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)	(647,822)	(445,007)
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	(798,508)	(352,726)
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	930,416	70,905
Total changes in operating assets and liabilities	131,908	(281,821)
Total adjustments	(515,914)	(726,828)
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	1,581,880	922,900
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	(370,873)	(425,047)
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	(766,682)	(881,639)
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	\$ 1,089,787	645,462

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:

	<u>January 1, 2019</u>
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	<u>29,530</u>
	<u>101,782</u>
Discounted using the incremental borrowing rate at January 1, 2019	94,901
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 94,901</u></u>

(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

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to the Financial Statements

- 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)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

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.

(Continued)

TOPCO SCIENTIFIC CO., LTD.**Notes to the Financial Statements**

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.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(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:

(Continued)

TOPCO SCIENTIFIC CO., LTD.

Notes to the Financial Statements

- 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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TOPCO SCIENTIFIC CO., LTD.
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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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TOPCO SCIENTIFIC CO., LTD.
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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Notes to the Financial Statements

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 probable 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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TOPCO SCIENTIFIC CO., LTD.
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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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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

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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TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

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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Notes to the Financial Statements

(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

	December 31, 2019	December 31, 2018
Cash on hand	\$ 1,789	1,318
Checking accounts and demand deposits	368,478	370,781
Time deposits	719,520	273,363
	<u><u>\$ 1,089,787</u></u>	<u><u>645,462</u></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

	December 31, 2019	December 31, 2018
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	30,813	16,303
	<u><u>\$ 73,022</u></u>	<u><u>61,609</u></u>
Current	\$ 8,374	8,328
Non-current	64,648	53,281
	<u><u>\$ 73,022</u></u>	<u><u>61,609</u></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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Domestic listed stock	\$ -	3,372
Domestic unlisted stock	812,805	558,751
Foreign unlisted stock	-	1,689
Total	<u><u>\$ 812,805</u></u>	<u><u>563,812</u></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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TOPCO SCIENTIFIC CO., LTD.
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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	<u>14,322</u>	<u>15,162</u>
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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	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
	<u>\$ 2,296,297</u>		<u>15,162</u>

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	<u>\$ 14,322</u>	<u>15,162</u>

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivable	\$ 28,620	36,641
Less: Loss allowance	3,755	3,755
	<u>\$ 24,865</u>	<u>32,886</u>

(f) Inventories

	December 31, 2019	December 31, 2018
Merchandise inventories	\$ 1,625,533	1,500,616
Goods in transit	33,886	55,683
	<u>\$ 1,659,419</u>	<u>1,556,299</u>

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)
	<u>\$ 16,207,502</u>	<u>13,416,119</u>

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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:

	December 31, 2019	December 31, 2018
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:

	December 31, 2019	December 31, 2018
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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(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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- (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:

	December 31, 2019	December 31, 2018
Restricted assets	\$ 2,380	1,880
Refundable deposits	3,072	5,303
Computer software cost and others	53,975	55,348
	<u>\$ 59,427</u>	<u>62,531</u>

(l) Short-term borrowings

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

	December 31, 2019	December 31, 2018
Unsecured bank loans	\$ 695,000	470,000
Unused short-term credit lines	\$ 2,714,184	3,639,833
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

	December 31, 2019
Current	\$ 33,610
Non-current financial assets	\$ 68,714

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ 1,502
Variable lease payments not included in the measurement of lease liabilities	\$ 2,731
Expenses relating to short-term leases	\$ 9,543
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 11,194

(Continued)

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	\$ <u><u>52,678</u></u>

(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	<u>(715)</u>	<u>-</u>	<u>(715)</u>
Balance at December 31, 2019	<u>\$ 866</u>	<u>-</u>	<u>866</u>
Balance at January 1, 2018	\$ 1,525	86,078	87,603
Effects of retrospective application	<u>-</u>	<u>(86,078)</u>	<u>(86,078)</u>
Balance at January 1, 2018 after adjustment	1,525	-	1,525
Provisions made during the period	335	-	335
Provisions reversed during the period	<u>(653)</u>	<u>-</u>	<u>(653)</u>
Balance at December 31, 2018	<u>\$ 1,207</u>	<u>-</u>	<u>1,207</u>

(Continued)

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:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ (252,604)	(247,761)
Fair value of plan assets	47,908	48,967
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:

	2019	2018
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	5,613	-
Defined benefit obligations at December 31	<u>\$ (252,604)</u>	<u>(247,761)</u>

(Continued)

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:

	2019	2018
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	(5,536)	-
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:

	2019	2018
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:

	2019	2018
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:

	December 31, 2019	December 31, 2018
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:

	Effects to the defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
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>
	75,880	105,961
Income tax expense	<u><u>\$ 329,586</u></u>	<u><u>291,157</u></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><u>\$ (15,093)</u></u>	<u><u>(6,304)</u></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><u>\$ 329,586</u></u>	<u><u>291,157</u></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	\$ <u>5,152</u>	<u>4,669</u>

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	\$ <u>41,807</u>	<u>34,705</u>	<u>43,470</u>	<u>119,982</u>
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	\$ <u>40,627</u>	<u>35,411</u>	<u>22,130</u>	<u>98,168</u>
		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	\$ <u>358,129</u>	<u>788</u>	<u>358,917</u>	
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	\$ <u>276,316</u>	<u>-</u>	<u>276,316</u>	

(iii) The ROC tax authorities have examined the income tax returns of the Company through 2017.

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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>

(Continued)

TOPCO SCIENTIFIC CO., LTD.
Notes to the Financial Statements

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
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:

	2019	2018
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:

	2019	2018
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.

(Continued)

TOPCO SCIENTIFIC CO., LTD.
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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><u>\$ 3,984,540</u></u>	<u><u>(3,990,940)</u></u>	<u><u>(3,917,114)</u></u>	<u><u>(22,275)</u></u>	<u><u>(51,551)</u></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><u>\$ 2,806,229</u></u>	<u><u>(2,806,229)</u></u>	<u><u>(2,806,229)</u></u>	<u><u>-</u></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.

(Continued)

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)	\$ (4,958)	(10,004)

(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:

	Carrying amount	
	December 31, 2019	December 31, 2018
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.

	December 31, 2019	December 31, 2018
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.
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	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:

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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>

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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:

Item	Valuation technique	Significant unobservable inputs	Inter relationships between significant unobservable inputs and fair value measurement
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:

			Impacts of fair value change on net income or loss		Impacts of fair value change on other comprehensive income	
		Move up or down	Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2019	Input					
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.
Notes to the Financial Statements

			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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TOPCO SCIENTIFIC CO., LTD.
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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.

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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.

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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:

	January 1, 2019	Cash flow	Non-cash charges Additions of leases	December 31, 2019
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>

	January 1, 2018	Cash flow	December 31, 2018
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
Topscio 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

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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><u>\$ 71,649</u></u>	<u><u>83,340</u></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><u>\$ 442,361</u></u>	<u><u>376,151</u></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><u>\$ 606,301</u></u>	<u><u>766,901</u></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	<u>1,405,038</u>	<u>1,309,060</u>
	<u>\$ 6,464,991</u>	<u>6,242,708</u>

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 163,481	142,734
Post-employment benefits	<u>4,832</u>	<u>4,979</u>
	<u>\$ 168,313</u>	<u>147,713</u>

(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	<u>\$ 2,380</u>	<u>1,880</u>

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitments were as follow:

	December 31, 2019	December 31, 2018
Commitments for construction contracts	\$ <u>7,258</u>	<u>10,973</u>
Bank guarantees to construction contracts	<u>\$ 630</u>	<u>3,676</u>

(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	<u>\$ 1,096,842</u>	<u>794,660</u>

(Continued)

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 Suzhou \$149,900, Chien Yuen \$200,000, Topsience(s) \$179,880, and Topchem Materials \$50,000, respectively.

(Continued)

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				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
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 institutional directors of the related party	"	2,000	48,340	10	48,340	
"	Shin-Etsu Handotai Taiwan	"	"	12,000	740,640	8	740,640	
"	Everglory Resource Technology Co., Ltd.	None	"	2,000	18,060	8.18	18,060	
"	Tenx Technology, Inc.	"	"	728	5,147	2.56	5,147	
"	ProMOS Technologies Inc.	"	"	71	618	0.16	618	
"	Top Taiwan V Venture Capital Co., Ltd.	"	Non-current financial assets at fair value through profit or loss	569	865	4.07	865	
"	Grand Fortune	"	"	3,000	32,970	4.12	32,970	
The Company	Other: 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	

(Continued)

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 Fund	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.

(Continued)

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	
	Topsience(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			
Topsience(s)	Topsience Vietnam	Vietnam	Sales of parts of semiconductor and optoelectronic industries	7,495 (USD250)	-	-	100%	5,125	(1,824)	Investment gain (losses) recognized by Topsience(s)	
	Anyong(s)	Singapore	Wholesale and retail sales of aquaculture products	-	-	-	100%	-	-	"	
Topco International Investment Co. Ltd	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 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><u>1,089,787</u></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><u>2,950,000</u></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><u>\$ 24,865</u></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>	
	<u>1,625,440</u>	
Goods in transit	33,886	33,886
Others	<u>93</u>	<u>93</u>
Total	<u><u>\$ 1,659,419</u></u>	<u><u>1,776,697</u></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	Percentage of ownership				
									Shares	Amounts			
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
Winaico	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)		603,205
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.	115,401
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><u>\$ 68,714</u></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><u>\$ 18,836,684</u></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><u>\$ 16,357,823</u></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><u>\$ 542,532</u></u>	<u><u>663,157</u></u>	<u><u>14,671</u></u>

Note : The amount of each item included in others does not exceed 5% of the account balance.