CHIEFTEK PRECISION CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHIEFTEK PRECISION CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of CHIEFTEK PRECISION CO., LTD. (the “Company”) as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s financial statements of the current period are stated as follows:

Adequacy of allowance for valuation loss on individually recognized obsolete or damaged inventories

Description

Refer to Note 4(9) for the accounting policy on inventory, Note 5 for the information of accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for the details of inventory. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses were NT$521,673 thousand and NT$12,240 thousand, respectively.

The Company engages primarily in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, risk of inventory devaluation or obsolescence could have incurred. The Company measures its inventories at the lower of cost and net realizable value. The net realizable value of the Company’s inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures of such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Company’s inventory and the allowance for inventory valuation losses are material to the financial statements, we, independent accountants, viewed the allowance for inventory valuation loss as one of the key audit matters.

How our audit addressed the matter

We performed following audit procedures in response to the abovementioned key audit matter:

A. We obtained understanding of the Company’s operations and its industry characteristic to assess the reasonableness of the Company’s policies on and procedures for allowance for inventory valuation loss.

B. We verified whether the dates used in the inventory aging reports that the Company applied to value inventories were accurate and complete. We recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Company’s policies.

C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Authenticity of sales revenue

Description

Refer to Note 4(24) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Company sells a variety of linear guides, ball screws and linear modules, and the target market reaches globally, including Taiwan, Asia, Europe, America and so forth. Since the customers are numerous and scattered, and the number of transactions is voluminous, it will take a longer time to verify their authenticity. Thus, we viewed the authenticity of sales revenue as one of the key audit matters for the year.

How our audit addressed the matter

We performed following audit procedures in response to the abovementioned key audit matter:

A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorizing procedures and collection processes. Also, we selected samples from different customers to evaluate the management's effectiveness of internal controls over sales revenue recognition.

B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.

C. We tested the manual accounting entries recognized for sales revenue, including verifying the transactions nature of the relevant manual entries and checking the relevant supporting documents. For the same purpose, we also checked the relevant supporting documents and the rationality of the debit notes issued after the balance sheet date.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

B. 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.

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

D. 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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Yung-Chih

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China

March 11, 2020

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 419,025	13	$ 513,703	17
1150	Notes receivable, net	6(2)	18,984	1	25,223	1
1170	Accounts receivable, net	6(2) and 12	154,733	5	193,483	6
1180	Accounts receivable - related parties	7	267,370	8	331,376	11
1200	Other receivables	7	1,630	-	4,209	-
130X	Inventories	5 and 6(3)	509,433	16	548,104	18
1410	Prepayments		23,604	1	13,601	-
11XX	**Total current assets**		1,394,779	44	1,629,699	53
	Non-current assets					
1550	Investments accounted for under equity method	6(4)	295,776	10	404,277	13
1600	Property, plant and equipment	6(5) and 8	1,105,943	35	848,825	28
1755	Right-of-use assets	3(1) and 6(6)	130,248	4	-	-
1780	Intangible assets	6(7)(8) and 7	120,143	4	101,446	3
1840	Deferred income tax assets	6(22)	26,060	1	27,076	1
1915	Prepayments for equipment	6(5)	57,161	2	52,737	2
1920	Guarantee deposits paid		2,135	-	1,567	-
1990	Other non-current assets		1,925	-	3,436	-
15XX	**Total non-current assets**		1,739,391	56	1,439,364	47
1XXX	**Total assets**		$ 3,134,170	100	$ 3,069,063	100

(Continued)

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Liabilities					
	Current liabilities					
2100	Short-term borrowings	6(9)(26)	$ 220,000	7	$ 120,000	4
2130	Current contract liabilities	6(16)	2,349	-	94	-
2150	Notes payable		79,155	3	154,647	5
2170	Accounts payable		17,045	1	67,610	2
2200	Other payables	6(10) and 7	119,496	4	166,059	5
2230	Current income tax liabilities	6(22)	15,109	-	81,873	3
2280	Current lease liabilities	3(1), 6(6)(26)	4,912	-	-	-
2320	Long-term liabilities, current portion	6(11)(26), 8 and 9	99,028	3	55,134	2
21XX	**Total current liabilities**		557,094	18	645,417	21
	Non-current liabilities					
2540	Long-term borrowings	6(11)(26), 8 and 9	402,202	13	421,116	14
2570	Deferred income tax liabilities	6(22)	4,211	-	25,827	1
2580	Non-current lease liabilities	3(1), 6(6)(26)	126,431	4	-	-
2640	Net defined benefit liabilities	6(12)	6,664	-	7,444	-
2670	Other non-current liabilities	6(4)	12,783	-	33,404	1
25XX	**Total non-current liabilities**		552,291	17	487,791	16
2XXX	**Total liabilities**		1,109,385	35	1,133,208	37
	Equity					
	Share capital	6(13)(15)				
3110	Share capital - common stock		811,876	26	738,069	24
	Capital reserves	6(13)(14)				
3200	Capital surplus		440,667	14	440,667	14
	Retained earnings	6(13)(15)				
3310	Legal reserve		144,552	5	97,280	3
3320	Special reserve		17,047	1	12,367	-
3350	Unappropriated retained earnings		640,037	20	664,519	22
3400	**Other equity interest**	6(4)	(29,394)	(1)	(17,047)	-
3XXX	**Total equity**		2,024,785	65	1,935,855	63
	Significant Contingent Liabilities and Unrecognized Contract Commitments	6(6)(24), 7 and 9				
3X2X	**Total liabilities and equity**		$ 3,134,170	100	$ 3,069,063	100

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPEHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earning per share amount)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(16) and 7	$ 1,040,726	100	$ 1,836,489	100
5000	**Operating costs**	6(3)(12)(20)(21)(24)	(652,831)	(62)	(1,060,083)	(58)
5900	**Gross profit**		387,895	38	776,406	42
5910	Unrealized gain from inter-affiliate accounts	6(4)	(82,238)	(8)	(94,712)	(5)
5920	Realized gain from inter-affiliate accounts	6(4)	94,712	9	52,500	3
5950	**Net operating margin**		400,369	39	734,194	40
	Operating expenses	6(7)(12)(20)(21) and 7				
6100	Selling expenses		(44,232)	(4)	(45,427)	(3)
6200	General and administrative expenses		(81,062)	(8)	(116,820)	(6)
6300	Research and development expenses		(59,576)	(6)	(78,768)	(4)
6450	Expected credit impairment (loss) gain	12	(547)	-	908	-
6000	**Total operating expenses**		(185,417)	(18)	(240,107)	(13)
6900	**Operating profit**		214,952	21	494,087	27
	Non-operating income and expenses					
7010	Other income	6(17) and 7	7,479	1	4,223	-
7020	Other gains and losses	6(7)(8)(18) and 12	(18,081)	(2)	19,948	1
7050	Finance costs	6(5)(6)(19)	(9,131)	(1)	(8,602)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	15,140	1	77,804	4
7000	**Total non-operating income and expenses**		(4,593)	(1)	93,373	5
7900	**Profit before income tax**		210,359	20	587,460	32
7950	Income tax expense	6(22)	(35,715)	(3)	(114,743)	(6)
8200	**Profit for the year**		$ 174,644	17	$ 472,717	26
	Other comprehensive income (loss)(Net)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans	6(12)	$ 550	-	($ 2,005)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(110)	-	583	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements tranlation differences of foreign operations	6(4)	(12,347)	(1)	(4,680)	(1)
8300	**Other comprehensive loss for the year**		($ 11,907)	(1)	($ 6,102)	(1)
8500	**Total comprehensive income for the year**		$ 162,737	16	$ 466,615	25
	Earnings per share (in dollars)	6(23)				
9750	**Basic**			$ 2.15		$ 5.82
9850	**Diluted**			$ 2.14		$ 5.77

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total
2018									
Balance at January 1, 2018		$ 620,455	$ 463,051	$ 73,463	$ 5,928	$ 497,930	($ 12,367)	($ 118,544)	$ 1,529,916
Profit for the year		-	-	-	-	472,717	-	-	472,717
Other comprehensive loss for the year	6(4)	-	-	-	-	(1,422)	(4,680)	-	(6,102)
Total comprehensive income (loss) for the year		-	-	-	-	471,295	(4,680)	-	466,615
Appropriations of 2017 earnings:									
Legal reserve		-	-	23,817	-	(23,817)	-	-	-
Special reserve	6(15)	-	-	-	6,439	(6,439)	-	-	-
Cash dividends	6(15)	-	-	-	-	(59,045)	-	-	(59,045)
Stock dividends	6(13)(15)	147,614	-	-	-	(147,614)	-	-	-
Retirement of treasury stock	6(13)(14)	(30,000)	(22,384)	-	-	(66,160)	-	118,544	-
Difference between the acquisition price and carrying amount of subsidiaries	6(15)	-	-	-	-	(1,631)	-	-	(1,631)
Balance at December 31, 2018		$ 738,069	$ 440,667	$ 97,280	$ 12,367	$ 664,519	($ 17,047)	$ -	$ 1,935,855
2019									
Balance at January 1, 2019		$ 738,069	$ 440,667	$ 97,280	$ 12,367	$ 664,519	($ 17,047)	$ -	$ 1,935,855
Profit for the year		-	-	-	-	174,644	-	-	174,644
Other comprehensive income (loss) for the year	6(4)	-	-	-	-	440	(12,347)	-	(11,907)
Total comprehensive income (loss) for the year		-	-	-	-	175,084	(12,347)	-	162,737
Appropriations of 2018 earnings:									
Legal reserve		-	-	47,272	-	(47,272)	-	-	-
Special reserve	6(15)	-	-	-	4,680	(4,680)	-	-	-
Cash dividends	6(15)	-	-	-	-	(73,807)	-	-	(73,807)
Stock dividends	6(13)(15)	73,807	-	-	-	(73,807)	-	-	-
Balance at December 31, 2019		$ 811,876	$ 440,667	$ 144,552	$ 17,047	$ 640,037	($ 29,394)	$ -	$ 2,024,785

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2019	For the years ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 210,359	$ 587,460
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12	547	(908)
Reversal of inventory market price decline	6(3)	(1,561)	(8,690)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	(15,140)	(77,804)
Unrealized gain from inter-affiliate accounts	6(4)	82,238	94,712
Realized gain from inter-affiliate accounts	6(4)	(94,712)	(52,500)
Depreciation	6(5)(6)(20)	76,397	75,652
Amotization	6(7)(20)	2,334	2,319
Impairment loss	6(7)(8)(18)	-	10,117
Interest income	6(17)	(2,575)	(3,372)
Interest expense	6(19)	9,131	8,602
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,239	(1,290)
Accounts receivable		38,203	17,364
Accounts receivable - related parties		64,006	(115,632)
Other receivables		2,579	4,421
Inventories		40,232	(246,235)
Prepayments		(10,003)	(5,378)
Changes in operating liabilities			
Current contract liabilities		2,255	94
Notes payable		(97,182)	40,200
Accounts payable		(50,565)	(23,035)
Other payables		(62,392)	43,425
Advance receipts		-	(727)
Net defined benefit liabilities		(230)	(235)
Cash inflow generated from operations		200,160	348,560
Dividend received	6(4)	121,770	-
Interest received		1,720	3,276
Interest paid		(9,120)	(8,596)
Income tax paid		(123,189)	(47,323)
Net cash flows from operating activities		191,341	295,917

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CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2019	For the years ended December 31, 2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from borrowings and lending among related parties		$ 855	$ 96
Cash paid for acquisition of investments accounted for under equity method - subsidiaries	6(4)	(18,623)	(46,381)
Cash paid for acquisition of property, plant and equipment	6(25)	(176,768)	(58,123)
Interest paid for acquisition of property, plant and equipment	6(5)(19)(25)	(3,326)	(845)
Acquisition of intangible assets	6(7)	(21,031)	(1,170)
Increase in prepayment for equipment		(114,417)	(84,228)
Increase in guarantee deposits paid		(568)	(6)
Decrease in other financial assets - non-current		-	1,445
Decrease (increase) in other non-current assets		1,511	(56)
Decrease in other non-operating receivables due from related parties		-	40,431
Net cash flows used in investing activities		(332,367)	(148,837)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(26)	100,000	(5,000)
Payments of lease liability	6(26)	(4,825)	-
Increase in long-term borrowings	6(26)	200,000	510,000
Decrease in long-term borrowings	6(26)	(175,020)	(424,383)
Payments of cash dividends	6(15)	(73,807)	(59,045)
Net cash flows from financing activities		46,348	21,572
Net (decrease) increase in cash and cash equivalents		(94,678)	168,652
Cash and cash equivalents at beginning of year	6(1)	513,703	345,051
Cash and cash equivalents at end of year	6(1)	$ 419,025	$ 513,703

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.

NOTES TO THE PAPENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) CHIEFTEK PRECISION CO., LTD. (the "Company") was incorporated on October 19, 1998 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company primarily engages in the research, development, manufacture and sales of miniature linear guides, miniature ball screws, miniature linear modules, electro-optics equipment and semiconductor process equipment.

(2) The common shares of the Company have been listed on the Taipei Exchange since December 28, 2012.

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 11, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a 'lease liability' (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those 2 types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company both increased 'right-of-use asset' and 'lease liability' by $136,168.

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

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

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

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,909 was recognized in 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.80%.

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

Operating lease commitments disclosed by applying IAS 17 as of December 31, 2018	$ 31,035
Add: Adjustments as a result of a different treatment of extension and termination options	135,307
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	$ 166,342
Incremental borrowing interest rate at the date of initial application	1.80%
Lease liabilities recognized as of January 1, 2019 by applying IFRS 16	$ 136,168

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, these parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

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

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

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

D. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within 12 months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

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

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

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within 12 months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Accounts and notes receivable

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

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

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventory is higher than net realizable value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(10) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

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

E. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", "Profit for the year" and "Other comprehensive income for the year" reported in an entity's nonconsolidated statement of comprehensive income, shall equal to "profit for the year" and "Other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(11) Property, plant and equipment

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

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

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

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

Assets	Useful lives
Buildings and structures	3 ～ 50 years
Machinery and equipment	2 ～ 12 years
Transportation equipment	5 ～ 8 years
Office equipment	2 ～ 8 years
Other equipment	2 ～ 10 years

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

Effective 2019

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

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

Lease payments are comprised of the following:

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

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

(c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

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

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(13) Operating leases (lessee)

Prior to 2019

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

(14) Intangible assets

A. Trademarks and patents

Separately acquired trademarks of corporate identity system and patents are stated initially at cost. Trademarks and patents have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 20 years.

B. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Turn-key professional technique

The subsidiaries, CSM Maschinen GmbH, was commissioned to develop and design linear guide, robotic arm and equipment for exhibition which are stated initially at cost and amortized on the economic life of Turn-key professional technique.

D. Other intangible assets

Technology contribution is stated initially at cost, and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Technology contribution is not amortized, but is tested annually for impairment.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a other non-current assets for liquidity services and amortized over the period of the facility to which it relates.

(17) Notes and accounts payable

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

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

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

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

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

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

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

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

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

(22) Share capital

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

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is resolved from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

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

(24) Revenue recognition

Sales of goods

A. The Company manufactures and sells linear guides, ball screws and linear modules. Sales are recognized when control of the products has transferred, being when the products are delivered to the external customer, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is recognized based on the contract price, net of output tax and sales returns and discounts. The sales are made with a credit term of 30 ~ 180 days after monthly closing. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

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

(25) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

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

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

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is calculated based on the inventory clearance and historical date of discounts. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2019, the carrying amount of inventories was $509,433.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand	$ 1,165	$ 1,024
Checking accounts and demand deposits	417,860	482,271
	419,025	483,295
Cash Equivalents:		
Time deposits	-	30,408
	$ 419,025	$ 513,703

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

B. The Company has no cash and cash equivalents pledged to others as of December 31, 2019 and 2018.

(2) Notes and accounts receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	$ 18,984	$ 25,223

	December 31, 2019	December 31, 2018
Accounts receivable	$ 155,533	$ 193,736
Less: Allowance for doubtful accounts	(800)	(253)
	$ 154,733	$ 193,483

A. The ageing analysis of accounts receivable and notes receivable (including related parties) that were past due is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 403,506	$ 18,875	$ 510,570	$ 25,106
Less than 30 days	97	109	1,871	117
31 to 90 days	15,410	-	3,157	-
91 to 180 days	3,467	-	9,512	-
Over 181 days	423	-	2	-
	$ 422,903	$ 18,984	$ 525,112	$ 25,223

The above ageing analysis was based on past due date.

B. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of notes receivable and accounts receivable (including related parties) from contracts with customers amounted to $441,887, $550,335 and $450,777, respectively.

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were its book value.

D. As of December 31, 2019 and 2018, the Company does not hold any collateral as security for accounts receivable.

E. Information relating to credit risk is provided in Note 12(2), 'Financial instruments'.

(3) Inventories

	December 31, 2019		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 83,509	($ 36)	$ 83,473
Supplies	57,206	(5,286)	51,920
Work in progress	335,181	(5,937)	329,244
Finished goods	45,777	(981)	44,796
	$ 521,673	($ 12,240)	$ 509,433

	December 31, 2018		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 110,259	$ -	$ 110,259
Supplies	76,399	(3,245)	73,154
Work in progress	320,238	(9,960)	310,278
Finished goods	55,009	(596)	54,413
	$ 561,905	($ 13,801)	$ 548,104

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	$ 655,205	$ 1,069,146
Reversal of allowance for inventory market price decline (Note)	(1,561)	(8,690)
(Gain) loss on physical inventory	(282)	248
Revenue from sale of scraps	(531)	(621)
	$ 652,831	$ 1,060,083

(Note) The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventory items which were previously provided with allowance were subsequently sold or scrapped in 2019 and 2018.

(4) Investments accounted for under equity method

A. Movements in investments accounted for under equity method were as follows:

	For the years ended December 31,	
	2019	2018
At January 1	$ 370,873	$ 295,211
Addition of investments accounted for using equity method	18,623	44,750
Share of profit or loss of subsidiaries, associates and joint ventures accounted for under equity method	15,140	77,804
Cash dividends under equity method	(121,770)	-
Other equity interest-financial statement translation differences of foreign operations	(12,347)	(4,680)
Unrealized gain from downstream sales	(82,238)	(94,712)
Realized gain from downstream sales	94,712	52,500
At December 31	$ 282,993	$ 370,873

B. Details of investment accounted for under equity method (Negative amounts were listed as “Other non-current liabilities”)

	December 31, 2019	December 31, 2018
CHIEFTEK PRECISION HOLDING CO., LTD.	$ 211,424	$ 343,745
CHIEFTEK PRECISION INTERNATIONAL LLC	59,251	60,532
CHIEFTEK PRECISION USA CO., LTD.	24,352	-
CSM Maschinen GmbH	749	-
	295,776	404,277
cpc Europa GmbH	(12,783)	(24,075)
CSM Maschinen GmbH	-	(9,329)
	(12,783)	(33,404)
	$ 282,993	$ 370,873

C. On November 6, 2019, the Board of Directors has resolved to commence organizational restructuring through withdrawing share capital of CHIEFTEK PRECISION USA CO., LTD. from the subsidiary, CHIEFTEK PRECISION HOLDING CO., LTD. The capital reduction base date of CHIEFTEK PRECISION HOLDING CO., LTD. was set on December 31, 2019.

D. On November 22, 2019, the Board of Directors has resolved to carry out the merger of cpc Europa GmbH and CSM Maschinen GmbH. In order to simplify the merger process, the Company purchased Turn-key professional technique held by CSM Maschinen GmbH based on its book value and settled the short-term borrowings and related liabilities that the Company had guaranteed for $18,623, and regarded is as an reinvestment. As of December 31, 2019, the relevant merger procedures has not yet been completed.

E. For more information regarding the subsidiaries of the Company, please refer to Note 4(3), ‘Basis of consolidation’ in the 2019 consolidated financial statements.

F. As of December 31, 2019 and 2018, no investments accounted for under equity method held by the Company were pledged to others.

(5) Property, plant and equipment

At January 1, 2019	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 316,864	$ 465,048	$ 835,794	$ 3,537	$ 13,781	$ 135,254	$ 53,833	$ 1,824,111
Accumulated depreciation	-	(118,378)	(723,957)	(2,430)	(12,897)	(117,624)	-	(975,286)
	$ 316,864	$ 346,670	$ 111,837	$ 1,107	$ 884	$ 17,630	$ 53,833	$ 848,825
2019								
At January 1	$ 316,864	$ 346,670	$ 111,837	$ 1,107	$ 884	$ 17,630	$ 53,833	$ 848,825
Additions	-	2,491	20,077	1,285	1,999	3,703	188,047	217,602
Transferred from prepayments for equipment	-	-	-	-	-	-	109,993	109,993
Transferred after acceptance inspection	-	768	13,373	-	582	1,860	(16,583)	-
Depreciation	-	(13,609)	(48,694)	(257)	(551)	(7,366)	-	(70,477)
Disposals－Cost	-	-	(1,354)	-	(195)	-	-	(1,549)
－Accumulated depreciation	-	-	1,354	-	195	-	-	1,549
At December 31	$ 316,864	$ 336,320	$ 96,593	$ 2,135	$ 2,914	$ 15,827	$ 335,290	$ 1,105,943
At December 31, 2019								
Cost	$ 316,864	$ 468,307	$ 867,890	$ 4,822	$ 16,167	$ 140,817	$ 335,290	$ 2,150,157
Accumulated depreciation	-	(131,987)	(771,297)	(2,687)	(13,253)	(124,990)	-	(1,044,214)
	$ 316,864	$ 336,320	$ 96,593	$ 2,135	$ 2,914	$ 15,827	$ 335,290	$ 1,105,943

At January 1, 2018	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 316,864	$ 463,580	$ 773,125	$ 3,369	$ 13,514	$ 127,932	$ 17,380	$ 1,715,764
Accumulated depreciation	-	(105,033)	(671,635)	(2,598)	(12,704)	(109,659)	-	(901,629)
	$ 316,864	$ 358,547	$ 101,490	$ 771	$ 810	$ 18,273	$ 17,380	$ 814,135
2018								
At January 1	$ 316,864	$ 358,547	$ 101,490	$ 771	$ 810	$ 18,273	$ 17,380	$ 814,135
Additions	-	1,468	12,609	517	342	5,878	46,476	67,290
Transferred from prepayments for equipment	-	-	-	-	-	-	43,052	43,052
Transferred after acceptance inspection	-	-	51,204	-	-	1,871	(53,075)	-
Depreciation	-	(13,345)	(53,466)	(181)	(268)	(8,392)	-	(75,652)
Disposals－Cost	-	-	(1,144)	(349)	(75)	(427)	-	(1,995)
－Accumulated depreciation	-	-	1,144	349	75	427	-	1,995
At December 31	$ 316,864	$ 346,670	$ 111,837	$ 1,107	$ 884	$ 17,630	$ 53,833	$ 848,825
At December 31, 2018								
Cost	$ 316,864	$ 465,048	$ 835,794	$ 3,537	$ 13,781	$ 135,254	$ 53,833	$ 1,824,111
Accumulated depreciation	-	(118,378)	(723,957)	(2,430)	(12,897)	(117,624)	-	(975,286)
	$ 316,864	$ 346,670	$ 111,837	$ 1,107	$ 884	$ 17,630	$ 53,833	$ 848,825

A. Property, plant and equipment of the Company were all for operating purposes as of December 31, 2019 and 2018.

B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2019	2018
Amount capitalized	$ 3,326	$ 845
Range of the interest rates for capitalization	1.45%	1.51%

C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2019 and 2018 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements－lessee

Effective 2019

A. The Company leases land in Southern Taiwan Science Park of Ministry of Science and Technology. Rental contracts are typically made for a period of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The Company leases various assets including offices and business vehicles. As of December 31, 2019, future lease commitments for short-term leases amounted to $1,909.

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

	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 130,248	$ 5,920

D. For the year ended December 31, 2019, the Company has no additions to right-of-use assets.

E. The information on income and expense accounts relating to lease contracts is as follows:

Items affecting profit or loss	For the year ended December 31, 2019
Interest expense on lease liabilities	$ 2,407
Expense on short-term lease contracts	$ 1,909

F. For the year ended December 31, 2019, the Company's total cash outflow for leases was $9,141.

(7) Intangible assets

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
At January 1, 2019						
Cost	$ 578	$ 9,288	$ 10,286	$ 69,805	$ 60,000	$ 149,957
Accumulated amortization	(578)	(2,528)	(7,328)	-	(13,500)	(23,934)
Accumulated impairment	-	-	-	-	(24,577)	(24,577)
Net value	$ -	$ 6,760	$ 2,958	$ 69,805	$ 21,923	$ 101,446
Net value at January 1, 2019	$ -	$ 6,760	$ 2,958	$ 69,805	$ 21,923	$ 101,446
Additions－acquired separately	-	35	83	20,913	-	21,031
Amortization	-	(586)	(1,748)	-	-	(2,334)
Net value at December 31, 2019	$ -	$ 6,209	$ 1,293	$ 90,718	$ 21,923	$ 120,143
At December 31, 2019						
Cost	$ 578	$ 9,323	$ 10,369	$ 90,718	$ 60,000	$ 170,988
Accumulated amortization	(578)	(3,114)	(9,076)	-	(13,500)	(26,268)
Accumulated impairment	-	-	-	-	(24,577)	(24,577)
Net value	$ -	$ 6,209	$ 1,293	$ 90,718	$ 21,923	$ 120,143

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
At January 1, 2018						
Cost	$ 578	$ 9,231	$ 9,173	$ -	$ 60,000	$ 78,982
Accumulated amortization	(578)	(1,945)	(5,592)	-	(13,500)	(21,615)
Accumulated impairment	-	-	-	-	(14,460)	(14,460)
Net value	$ -	$ 7,286	$ 3,581	$ -	$ 32,040	$ 42,907
Net value at January 1, 2018	$ -	$ 7,286	$ 3,581	$ -	$ 32,040	$ 42,907
Additions－acquired separately	-	57	1,113	-	-	1,170
Transferred from long-term prepayments - related parties (Note)	-	-	-	69,805	-	69,805
Amortization	-	(583)	(1,736)	-	-	(2,319)
Impairment loss	-	-	-	-	(10,117)	(10,117)
Net value at December 31, 2018	$ -	$ 6,760	$ 2,958	$ 69,805	$ 21,923	$ 101,446
At December 31, 2018						
Cost	$ 578	$ 9,288	$ 10,286	$ 69,805	$ 60,000	$ 149,957
Accumulated amortization	(578)	(2,528)	(7,328)	-	(13,500)	(23,934)
Accumulated impairment	-	-	-	-	(24,577)	(24,577)
Net value	$ -	$ 6,760	$ 2,958	$ 69,805	$ 21,923	$ 101,446

(Note) Listed as ‘Other non-current assets ’.

A. For the years ended December 31, 2019 and 2018, no borrowing costs were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
General and administrative expenses	$ 568	$ 235
Research and development expenses	1,766	2,084
	$ 2,334	$ 2,319

C. Impairment information about the intangible assets is provided in Note 6(8) 'Impairment of non-financial assets'.

(8) Impairment of non-financial assets

A. The Company recognized impairment loss for the year ended December 31, 2018 of $10,117 (listed as "Other gains and losses"). Details of such loss are as follows:

	For the year ended December 31, 2018	
	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss – intangible assets	$ 10,117	$ -

B. The Company has assessed that the recoverable amount of the special technology (shown as 'intangible assets – other intangible assets') acquired by technology contribution of the Company was impaired based on the residual life of the patent. For the year ended December 31, 2018, the company recognized impairment loss of $10,117. This situation did not happen in 2019.

C. The recoverable amount was assessed based on the use right of the intangible assets. For the years ended December 31, 2019 and 2018, the discount rates were 7.1% and 7%, respectively.

(9) Short-term borrowings

Nature	December 31, 2019	Interest rate range	Collateral
Bank unsecured borrowings	$ 220,000	0.87%～1.03%	None

Nature	December 31, 2018	Interest rate range	Collateral
Bank unsecured borrowings	$ 120,000	0.99%～1.03%	None

For more information about interest expense recognized by the Company for the years ended December 31, 2019 and 2018, please refer to Note 6(19), 'Finance costs'.

(10) Other payables

	December 31, 2019	December 31, 2018
Accrued salaries and bonuses	$ 42,589	$ 55,619
Employees' compensation and directors' and supervisors' remuneration payable	20,500	61,248
Equipment payable	30,601	14,783
Miscellaneous payable	5,120	8,433
Others	20,686	25,976
	$ 119,496	$ 166,059

(11) Long-term borrowings

Nature	Expiry date	December 31, 2019	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	October 5, 2022～ August 21, 2023	$ 343,230	1.35%～ 1.80%	Land, buildings and structures
Unsecured borrowings	November 1, 2020～ October 5, 2022	158,000	1.25%～ 1.80%	None
		501,230		
Less: Current portion		(99,028)		
		$ 402,202		

Nature	Expiry date	December 31, 2018	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	September 23, 2021～ August 21, 2023	$ 416,250	1.35%～ 1.80%	Land, buildings and structures
Unsecured borrowings	November 1, 2020～ October 5, 2022	60,000	1.29%～ 1.80%	None
		476,250		
Less: Current portion		(55,134)		
		$ 421,116		

For more information about interest expense recognized by the Company for the years ended December 31, 2019 and 2018, please refer to Note 6(19),'Finance cost'.

(12) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 11,769)	($ 12,050)
Fair value of plan assets	5,105	4,606
Net defined benefit liability	($ 6,664)	($ 7,444)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 12,050)	$ 4,606	($ 7,444)
Interest (expense) income	(108)	41	(67)
	(12,158)	4,647	(7,511)
Remeasurements:			
Return on plan assets	-	161	161
Change in financial assumptions	(181)	-	(181)
Experience adjustments	570	-	570
	389	161	550
Pension fund contribution	-	297	297
Balance at December 31	($ 11,769)	$ 5,105	($ 6,664)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 9,821)	$ 4,147	($ 5,674)
Interest (expense) income	(107)	45	(62)
	(9,928)	4,192	(5,736)
Remeasurements:			
Return on plan assets	-	117	117
Change in financial assumptions	(211)	-	(211)
Experience adjustments	(1,911)	-	(1,911)
	(2,122)	117	(2,005)
Pension fund contribution	-	297	297
Balance at December 31	($ 12,050)	$ 4,606	($ 7,444)

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

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

	For the years ended December 31, 2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.25%	3.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance 5th Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 226)	$ 235	$ 200	($ 193)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 262)	$ 274	$ 237	($ 228)

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to $297.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,943
2-5 years	5,230
Over 6 years	5,281
	$ 12,454

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $11,585 and $13,025, respectively.

(13) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2019	2018
Balance at beginning of year	73,807	59,046
Stock dividends	7,381	14,761
Balance at end of year	81,188	73,807

B. On June 12, 2019 and May 28, 2018, the Company's stockholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $73,807 and $147,614, respectively, and obtained approval from the SFC. The effective date of capitalization was set on August 7, 2019 and August 5, 2018, respectively.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares):

	For the year ended December 31, 2018			
Reason for reacquisition	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	3,000	-	(3,000)	-

No treasury shares were reacquired or retired by the Company in 2019.

(b) Pursuant to the R.O.C Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C Securities and Exchange Act, treasury shares should be reissued to the employees within 3 years from the reacquisition date and shares not reissued within the 3-year period are to be retired.

D. The Company acquired a total of 3 million treasury shares during the period from November 2014 to January 2015. On February 9, 2018, the shares were retired as resolved by the Board of Directors. The capital reduction became effective on the same date and the registration has been approved by the Southern Taiwan Science Park Bureau, Ministry of Science and Technology. The Company debited 'share capital – common stock' and 'capital surplus–share premium' in the amounts of $30,000 and $22,384, respectively, and 'unappropriated retained earnings' was offset by the remaining amount of $66,160.

E. As of December 31, 2019, the Company's authorized capital was $1,500,000 (including $30,000 reserved for employee stock options), and the paid-in capital was $811,876 (81,188 thousand shares) with par value of $10 (in dollars) per share.

(14) Capital reserve

2019	Share premium	Others	Total
Balances at beginning and end of year	$ 440,553	$ 114	$ 440,667

2018	Share premium	Others	Total
At January 1	$ 462,937	$ 114	$ 463,051
Retirement of treasury shares	(22,384)	-	(22,384)
At December 31	$ 440,553	$ 114	$ 440,667

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

B. Information relating to capital surplus offset by the retirement of treasury shares is provided in Note 6(13), ‘Share capital – common stock’.

(15) Retained earnings

A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company’s paid-in capital.

B. According to the Company’s Articles of Incorporation, the Company’s dividend policy is to distribute the current year’s earnings, if any, in the following order:

(1) pay all taxes and dues;

(2) offset any loss of prior years;

(3) set aside 10% as legal reserve;

(4) set aside or reverse special reserve as required by regulations or the Competent Authority;

(5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders’ meeting. However, the distribution of dividends shall not be lower than 20% of the current year’s profit after deducting items (1) to (4). In order to continually expand the scale of operation, increase competitiveness as well as cooperate with the Company’s long-term development, future capital requirements and long-term financial plan, the dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2018, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of $17,047, which cannot be distributed to shareholders.

D. The Company recognized cash dividends distributed to owners amounting to $73,807 ($1.0 (in dollars) per share) and $59,045 ($1.0 (in dollars) per share) and stock dividends amounting to $73,807 ($1.0 (in dollars) per share) and $147,614 ($2.5 (in dollars) per share) for the years ended December 31, 2019 and 2018, respectively. The Board of Directors has not yet adopted a resolution to distribute dividends as of March 11, 2020. Information about the distribution of dividends by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. Information relating to retained earnings offset by the retirement of treasury shares is provided in Note 6(13), 'Share capital'.

F. For the year ended December 31, 2018, the change in retained earnings resulted from the difference between proceeds and the carrying amount for the acquisition of subsidiary. Please refer to Note 6(24) for the information on transactions with non-controlling interest.

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

2019	China	Taiwan	Germany	America	Others	Total
Revenue from external customer contracts	$244,064	$237,480	$175,528	$ 96,188	$287,466	$ 1,040,726
Timing of revenue						
－At a point in time	$244,064	$237,480	$175,528	$ 96,188	$287,466	$ 1,040,726
2018	**China**	**Taiwan**	**Germany**	**America**	**Others**	**Total**
Revenue from external customer contracts	$517,459	$421,983	$256,591	$113,915	$526,541	$ 1,836,489
Timing of revenue						
－At a point in time	$517,459	$421,983	$256,591	$113,915	$526,541	$ 1,836,489

B. Contract liabilities

(1) The Company has recognized revenue-related contract liabilities related to the contract revenue of $2,349, $94 and $727 on December 31, 2019, December 31, 2018 and January 1, 2018, respectively.

(2) The revenue recognized that were included in the contract liability balance at the beginning of 2019 and 2018 amounted to $84 and $718 for the years ended December 31, 2019 and 2018, respectively.

(17) Other income

	For the years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 1,707	$ 2,707
Other interest income	868	665
Other income:		
Other income－others	4,904	851
	$ 7,479	$ 4,223

(18) Other gains and losses

	For the years ended December 31,	
	2019	2018
Currency exchange (loss) gain	($ 18,081)	$ 30,065
Impairment loss	-	(10,117)
	($ 18,081)	$ 19,948

(19) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Interest expense on bank borrowings	$ 10,050	$ 9,447
Interest expense on lease liabilities	2,407	-
Less: Capitalization of qualifying assets	(3,326)	(845)
	$ 9,131	$ 8,602

(20) Expenses by nature

	For the year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 201,158	$ 93,248	$ 294,406
Depreciation	68,155	8,242	76,397
Amortization	-	2,334	2,334
	$ 269,313	$ 103,824	$ 373,137

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 285,494	$ 142,178	$ 427,672
Depreciation	67,800	7,852	75,652
Amortization	-	2,319	2,319
	$ 353,294	$ 152,349	$ 505,643

(21) Employee benefit expense

	For the year ended December 31, 2019		
	Operating cost	Operating expense	Total
Wages and salaries	$ 162,964	$ 75,642	$ 238,606
Labor and health insurance expense	22,064	6,525	28,589
Pension costs	8,632	3,020	11,652
Directors' and supervisors' remuneration	-	4,966	4,966
Other personnel expenses	7,498	3,095	10,593
	$ 201,158	$ 93,248	$ 294,406

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Wages and salaries	$ 245,418	$ 116,241	$ 361,659
Labor and health insurance expense	22,821	6,842	29,663
Pension costs	9,774	3,313	13,087
Directors' and supervisors' remuneration	-	12,787	12,787
Other personnel expenses	7,481	2,995	10,476
	$ 285,494	$ 142,178	$ 427,672

A. As of December 31, 2019 and 2018, the Company had 474 and 558 workers, among these, 6 directors were not full-time employees.

B. The average employee benefit expense for the years ended December 31, 2019 and 2018 was $618 and $751, respectively. The average wages and salaries for the years ended December 31, 2019 and 2018 was $509 and $655, respectively with a decrease of 22 %.

C. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 8% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. On May 28, 2018, the Company's stockholders adopted a resolution to amend the Articles of Incorporation of the Company. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

D. For the years ended December 31, 2019 and 2018, the Company's employees' compensation was accrued at $16,000 and $48,000, respectively; while directors' and supervisors' remuneration was accrued at $4,500 and $13,013, respectively. The aforementioned amounts were recognized in salary expenses.

The expenses recognized for 2019 were accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' and supervisors' remuneration for 2019 as resolved by the Board of Directors were $16,000 and $4,500, respectively. The employees' compensation will be distributed in the form of cash.

The employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were $48,000 and $13,013, respectively, and the actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2018 was the same as the estimated amount recognized in the 2018 financial statements.

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

(22) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Current income tax:		
Income tax incurred in current year	$ 55,296	$ 101,249
Tax on unappropriated earnings	-	19
Prior year's income tax under estimation	1,129	6,286
Total current income tax	56,425	107,554
Deferred income tax:		
Origination and reversal of temporary differences	(20,710)	8,393
Impact of change in tax rate	-	(1,204)
Total deferred income tax	(20,710)	7,189
Income tax expense	$ 35,715	$ 114,743

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

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	$ 110	($ 401)
Impact of change in tax rate	-	(182)
	$ 110	($ 583)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 42,072	$ 117,492
Effect of items disallowed by tax regulation	(323)	1,979
Effect from investment tax credits	(7,163)	(9,829)
Prior years income tax under estimation	1,129	6,286
Tax on unappropriated earnings	-	19
Impact of change in tax rate	-	(1,204)
Income tax expense	$ 35,715	$ 114,743

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	$ 2,760	($ 312)	$ -	$ 2,448
Unused compensated absences	3,355	(170)	-	3,185
Unrealized gain on inter affiliates	18,942	(2,495)	-	16,447
Pensions	2,019	-	(110)	1,909
Rent expense	-	219	-	219
Unrealized loss on foreign currency exchange	-	1,852	-	1,852
	$ 27,076	($ 906)	($ 110)	$ 26,060
Deferred tax liabilities:				
Investment (income) loss	($ 23,636)	$ 21,326	$ -	($ 2,310)
Depreciation	(1,953)	52	-	(1,901)
Unrealized gain on foreign currency exchange	(238)	238	-	-
	($ 25,827)	$ 21,616	$ -	($ 4,211)
	$ 1,249	$ 20,710	($ 110)	$ 21,849

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	$ 3,823	($ 1,063)	$ -	$ 2,760
Unused compensated absences	2,429	926	-	3,355
Unrealized gain on inter affiliates	8,925	10,017	-	18,942
Pensions	1,375	61	583	2,019
	$ 16,552	$ 9,941	$ 583	$ 27,076
Deferred tax liabilities:				
Investment income	($ 6,864)	($ 16,772)	$ -	($ 23,636)
Depreciation	(1,703)	(250)	-	(1,953)
Unrealized gain on foreign currency exchange	(130)	(108)	-	(238)
	($ 8,697)	($ 17,130)	$ -	($ 25,827)
	$ 7,855	($ 7,189)	$ 583	$ 1,249

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of March 11, 2020.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate and reflected in current profit or loss or other comprehensive income the origination and reversal of temporary differences.

(23) Earnings per share ("EPS")

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 174,644	81,188	$ 2.15
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 174,644	81,188	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	272	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 174,644	81,460	$ 2.14

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 472,717	81,188	$ 5.82
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 472,717	81,188	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	716	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 472,717	81,904	$ 5.77

The abovementioned weighted average number of ordinary shares outstanding has been adjusted retrospectively according to proportional capitalization of earnings for the year 2019.

(24) Operating leases

Prior to 2019

The Company entered into non-cancellable operating lease agreements for the periods from January

1, 2003 to December 31, 2022 and from August 28, 2014 to August 27, 2034 for the land in Southern Taiwan Science Park. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Company will be adjusted accordingly on the following month. The Company may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of $7,232 was recognized in profit or loss (Listed as 'Operating costs') for the years ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Within 1 year	$ 7,594
Later than 1 year but not exceeding five years	22,838
Exceeding 5 years	603
	$ 31,035

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 217,602	$ 67,290
Add: Opening balance of notes payable	3,633	4,858
Opening balance of payable for equipment	14,783	5,236
Less: Ending balance of notes payable	(25,323)	(3,633)
Ending balance of payable for equipment	(30,601)	(14,783)
Capitalization for interest	(3,326)	(845)
Cash paid during the year	$ 176,768	$ 58,123

B. Investing and financing activities with no cash flow effects

	For the years ended December 31,	
	2019	2018
(a) Prepayments for equipment reclassified to property, plant and equipment	$ 109,993	$ 43,052
(b) Long-term prepayments - related parties transferred to intangible assets	$ -	$ 69,805

(26) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	$ 120,000	$ -	$ 476,250	$ 596,250
Effects of retrospective application adjustments	-	136,168	-	136,168
Balance at January 1 after adjustments	120,000	136,168	476,250	732,418
Changes in cash flow from financing activities	100,000	(4,825)	24,980	120,155
At December 31, 2019	$ 220,000	$ 131,343	$ 501,230	$ 852,573

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 125,000	$ 390,633	$ 515,633
Changes in cash flow from financing activities	(5,000)	85,617	80,617
At December 31, 2018	$ 120,000	$ 476,250	$ 596,250

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
cpc Europa GmbH	A subsidiary of the Company
CSM Maschinen GmbH	A subsidiary of the Company
CHIEFTEK PRECISION INTERNATIONAL LLC	A subsidiary of the Company
CHIEFTEK PRECISION USA CO., LTD.	A subsidiary of the Company
Chieftek Machinery (Kunshan) Co., Ltd.	A subsidiary of the Company

(2) Key management compensation

A. Sales of goods and services

	For the years ended December 31,	
	2019	2018
Chieftek Machinery (Kunshan) Co., Ltd.	$ 244,064	$ 517,459
cpc Europa GmbH	175,528	256,591
CHIEFTEK PRECISION USA CO., LTD.	96,188	113,915
	$ 515,780	$ 887,965

Prices of goods sold to related parties are determined based on mutual agreement at each time, and the credit term is 180 days after monthly-closing, T/T. For third parties, the credit terms range from 30 to 180 days after monthly-closing.

B. Commission

	For the years ended December 31,	
	2019	2018
cpc Europa GmbH	$ 3,279	$ -

The commissions paid to subsidiary is on normal commercial terms.

C. Acquired intangible (Turn-key professional technique)

	For the years ended December 31,	
	2019	2018
CSM Maschinen GmbH	$ 20,913	$ -

D. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
Chieftek Machinery (Kunshan) Co., Ltd.	$ 151,797	$ 155,330
cpc Europa GmbH	78,103	133,813
CHIEFTEK PRECISION USA CO., LTD.	37,470	42,233
	$ 267,370	$ 331,376

	December 31, 2019	December 31, 2018
Other receivables:		
CHIEFTEK PRECISION USA CO., Ltd.	$ 44	$ -

The receivables from related parties arise mainly from sale transactions and sales of property. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

E. Other payables

	December 31, 2019	December 31, 2018
cpc Europa GmbH	$ 1,028	$ -

F. Loans to related parties

Interest income:

	For the years ended December 31,	
	2019	2018
CHIEFTEK PRECISION INTERNATIONAL LLC	$ 855	$ 342
Other subsidiaries	-	312
	$ 855	$ 654

The loans to subsidiaries are repayable upon maturity and carry interest at 1.5%~ 2.0% for the years ended December 31, 2019 and 2018.

G. Endorsements and guarantees provided to subsidiaries

	Nature	December 31, 2019	December 31, 2018
cpc Europa GmbH	Guarantee for financing	$ 201,540	$ 200,640
CSM Maschinen GmbH	Guarantee for financing	50,385	123,200
CHIEFTEK PRECISION INTERNATIONAL LLC	Guarantee for financing	59,960	92,145
		$ 311,885	$ 415,985

As of December 31, 2019 and 2018, the subsidiaries have drawn from the endorsements and guarantees, which are provided by the Company, in the amount of $93,315 and $90,407, respectively.

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 16,466	$ 30,878

8. PLEDGED ASSETS

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

	Book value		
Asset pledged	December 31, 2019	December 31, 2018	Purpose of collateral
Land (Note)	$ 316,864	$ 316,864	Guarantee for long－term borrowings
Buildings and structures-net (Note)	235,873	310,851	Guarantee for long－term borrowings
	$ 552,737	$ 627,715	

(Note) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) For details of endorsements and guarantees provided to others by the Company, please refer to Note 7(2) G. 'Endorsements and guarantees provided to subsidiaries'.

(2) As of December 31, 2019 and 2018, the Company's remaining balance due for construction in progress and prepayments for equipment were $625,769 and $168,110, respectively.

(3) On July 5, 2017, the Company entered into a mid-term secured syndicated loan contract for a credit line of $1,200,000 with 9 financial institutions including E. Sun Commercial Bank, Ltd.. The credit term is 5 years. Under the terms of the syndicated loan, the Company agrees that:

A. Under the terms of the syndicated loan, the financial ratios stated in the Company's semi-annual reviewed financial statements and annual audited financial statements shall comply with the following financial ratios and will be assessed semi-annually:

(a) Current ratio (current assets/current liabilities): At least 100%.

(b) Liability ratio (total liabilities/net equity): Less than 150%.

(c) Tangible net value (shareholders' equity less intangible assets): At least $1,000,000.

B. If the Company violates the above financial covenants, the Company should improve within 9 months after the fiscal year or half fiscal year. It will not be considered to default, if the audited or reviewed financial rates comply with the covenants after the improvement period. During the improvement period, the credit line which has not been withdrawn will be frozen, until the financial covenants are met. In addition, for withdrawn credit, its financing rate shall be increased by an additional 0.125% per annum from the date after the notification by the management bank to the date after the completion of improvement.

As of December 31, 2019, the Company has not violated any of the above covenants.

(4) For the details of operating lease agreements, please refer to Note 6(24), 'Operating leases'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the level of debt.

(2) Financial instruments

A. Details of the Company's financial instruments by category are provided in Notes 6.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to USD, EUR and JPY. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

(ii) Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury.

(iii)The Company treasury's risk management policy is to hedge anticipated cash flows (mainly sale export and purchase of inventory) in the major foreign currency in the future so as to decrease the risk exposure in the major foreign currency.

(iv)The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Company does not hedged the investments.

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

	December 31, 2019		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 18,232	29.98	$ 546,590
JPY:NTD	63,563	0.2760	17,543
EUR:NTD	4,152	33.59	139,455
Investments accounted for under equity method			
USD:NTD	9,841	29.98	295,027
EUR:NTD	(358)	33.59	(12,034)
Financial liabilities			
Monetary items			
USD:NTD	5	29.98	154
JPY:NTD	337	0.2760	93
EUR:NTD	213	33.59	7,291

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 18,098	30.715	$ 555,878
JPY:NTD	46,827	0.2782	13,027
EUR:NTD	5,202	35.20	183,100
Investments accounted for under equity method			
USD:NTD	13,162	30.715	404,277
EUR:NTD	(949)	35.20	(33,404)
Financial liabilities			
Monetary items			
USD:NTD	98	30.715	3,013
JPY:NTD	5,316	0.2782	1,479
EUR:NTD	1,071	35.20	37,713

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Company's net profit after tax for the years ended December 31, 2019 and 2018 would increase/decrease by $5,587 and $5,614, respectively.

(vi)The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to ($18,081) and $30,065, respectively.

II. Price risk

The Company is not engaged in any financial instruments with price variations, thus, the Company does not expect market risk arising from variations in the market prices.

III. Cash flow and fair value interest rate risk

(i) The Company's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in NTD.

(ii)The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii)If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by $804 and $756, respectively. The main factor is that changes in interest expense result from floating-rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

III. The Company adopts management of credit risk as follows: if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, and the impairment is assessed when the contract payments are past due over certain days.

IV. The Company classifies customers' accounts receivable in accordance with credit rating of customer and credit risk on trade. The Company applies the simplified approach using the provision matrix and the forecastability to adjust historical and timely information to estimate expected credit loss. The expected credit loss ranges from 2% to 100%. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 253	$ 1,161
Reversal of provision for impairment loss (gain)	547	(908)
At December 31	$ 800	$ 253

(c) Liquidity risk

I. Cash flow forecasting is performed in Finance division of the Company. Finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Company is expected to readily generate cash inflows for managing liquidity risk.

III. The Company has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within 1 year	$ 1,270,000	$ 1,170,000
Expiring beyond 1 year	890,000	890,000
	$ 2,160,000	$ 2,060,000

IV. The table below analyzes the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 220,388	$ -	$ -	$ -
Notes payable	79,155	-	-	-
Accounts payable	17,045	-	-	-
Other payables	119,496	-	-	-
Lease liabilities	7,232	7,232	21,697	122,948
Long-term borrowings (including current portion)	106,409	109,401	302,395	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 120,370	$ -	$ -	$ -
Notes payable	154,647	-	-	-
Accounts payable	67,610	-	-	-
Other payables	166,059	-	-	-
Long-term borrowings (including current portion)	63,014	79,303	357,585	-

V. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. As of December 31, 2019 and 2018, the Company had no fair value financial instruments.

B. Financial instruments not measured at fair value

The carrying amount of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and long-term borrowings (including current portion)) are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, information related to only the year ended December 31, 2019 is disclosed.)

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

Not applicable.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Amount
Cash:		
Cash on hand		$ 1,165
Checking Deposits		6,201
Demand Deposits－New Taiwan dollar		57,806
－Foreign Currency	Including USD9,461 thousand @29.98, JPY51,633 thousand @0.2760 and EUR1,666 thousand @33.59	353,853
		$ 419,025

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Client Name	Description	Amount	Footnote
Company A	Accounts receivable	$ 49,157	—
Company B	〃	16,064	—
Company C	〃	15,060	—
Others (Note)	〃	75,252	—
		155,533	
Less: Allowance for doubtful accounts		(800)	—
		$ 154,733	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE-RELATED PARTIES
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Client Name	Description	Amount	Footnote
Cheiftek Machinery (Kunshan) Co., Ltd.	Accounts receivable	$ 151,797	—
cpc Europa GmbH	〃	78,103	—
CHIEFTEK PRECISION USA CO., LTD	〃	37,470	—
		$ 267,370	

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Amount		Footnote
	Cost	Net Realizable Value	
Raw materials	$ 83,509	$ 83,509	(Note)
Supplies	57,206	59,122	〃
Work in progress	335,181	411,766	〃
Finished goods	45,777	70,624	〃
	521,673	$ 625,021	
Less: Allowance for inventory valuation losses	(12,240)		
	$ 509,433		

Note: Refer to Note 4(9) 'Inventories' of parent company only financial statements for the way the Company determine net realizable value of inventories.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

	Balance as of January 1, 2019		Additions		Decreases		Balance as of December 31, 2019			Market price or Equity of subsidiaries and Associates			
Name	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Percentage of ownership	Amount	Unit Price (NTD)	Total price	Collateral	Footnote
CHIEFTEK PRECISION HOLDING CO., LTD.	6,760	$ 343,745	-	$ 49,719	(1,660)	($ 182,040)	5,100	100%	$ 211,424	$ -	$ 211,424	None	—
CHIEFTEK PRECISION INTERNATIONAL LLC	-	60,532	-	173	-	(1,454)	-	100%	59,251	-	59,251	〃	—
CHIEFTEK PRECISION USA CO.,LTD	-	-	1,660	50,070	-	(25,718)	1,660	100%	24,352	-	24,352	〃	—
CSM Maschinen GmbH	-	(9,329)	-	18,760	-	(8,682)	-	100%	749	-	749	〃	(Note)
cpc Europa GmbH	-	(24,075)	-	12,123	-	(831)	-	100%	(12,783)	-	(12,783)	〃	(Note)
Total	6,760	$ 370,873	1,660	$ 130,845	(1,660)	($ 218,725)	6,760		$ 282,993		$ 282,993		

Note: The negative beginning and ending balances are listed as “Other non-current liabilities-others”.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Refer to Note 6(5) ‘Property, plant and equipment’ of parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Refer to Note 6(5) ‘Property, plant and equipment’ of parent company only financial statements for the change in accumulated depreciation of property, plant and equipment.
Refer to Note 4(11) ‘Property, plant and equipment’ of parent company only financial statements for the depreciation method and useful lives of the assets.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS-COST
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Amount after effects of retrospective application and ending balance	Footnote
Land	$ 136,168	—

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSESTS-ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Additions & Balance as of December 31, 2019	Footnote
Land	$ 5,920	—

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN INTANGIBLE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Refer to Note 6(7) 'Intangible assets' of parent company only financial statements for the change in cost and accumulated amortization of intangible assets.
Refer to Note 4(14) 'Intangible assets' of parent company only financial statements for the amortization method and useful lives of the assets.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF CHANGES IN PREPAYMENTS FOR EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Balance as of January 1, 2019	Additions	Reclassifications (Note)	Balance as of December 31, 2019
Prepayments for equipment	$ 52,737	$ 114,417	($ 109,993)	$ 57,161

Note: Transferred to "Property, plant and equipment".

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Nature	Description	December 31, 2019	Expiry date	Interest rate	Loan Commitments	Collateral	Footnote
Unsecured borrowings	Mega International Commercial Bank	$ 60,000	2019.12.18～2020.06.15	1.03%	$ 60,000	None	—
〃	DBS Bank	60,000	2019.10.05～2020.01.28	0.95%	150,000	〃	—
〃	The Export-Import Bank of the Republic of China	50,000	2019.01.24～2020.01.24	0.96%	150,000	〃	—
〃	Citibank Taiwan	30,000	2019.12.20～2020.01.17	0.87%	75,000	〃	—
〃	Hua Nan Bank	20,000	2019.10.01～2020.04.01	1.00%	45,000	〃	—
		$ 220,000					

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Client Name	Description	Amount	Footnote
Company D	Notes payable	$ 5,710	—
Company E	〃	5,647	—
Company F	〃	4,839	—
Company G	〃	4,751	—
Company H	〃	4,014	—
Others (Note)	〃	54,194	—
		$ 79,155	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Refer to Note 6(10) ‘Other payables’ of parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF LONG-TERM LIABILITIES, CURRENT PORTION
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Creditor	Description	Loan amount	Expiry date	Rate	Collateral	Footnote
E.SUN Commercial Bank	Secured loan	$ 4,500	2018.1.22～2022.10.5	1.80%	Land	Syndicated loan contract with 9 financial institutions including E.SUN Commercial Bank - Programs A.
Mega International Commercial Bank	〃	3,750	〃	〃	〃	
Chang Hwa Bank	〃	3,750	〃	〃	〃	
DBS Bank	〃	3,750	〃	〃	〃	
Bank of Taiwan	〃	3,750	〃	〃	〃	
Taipei Fubon Commercial Bank	〃	3,750	〃	〃	〃	
Bank SinoPac	〃	3,000	〃	〃	〃	
Cathay United Commercial Bank	〃	1,875	〃	〃	〃	
Taishin International Bank	〃	1,875	〃	〃	〃	
Mega International Commercial Bank	〃	23,528	2018.8.21～2023.8.21	1.35%	Buildings and Structures	—
O-Bank	Unsecured borrowings	8,000	2018.5.11～2020.11.1	1.29%	None	—
Taipei Fubon Commercial Bank	〃	37,500	2019.8.22～2022.2.22	1.25%	〃	—
		$ 99,028				

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Creditor	Description	Loan amount	Expiry date	Rate	Collateral	Footnote
E.SUN Commercial Bank	Secured borrowings	$ 38,250	2018.1.22～2022.10.5	1.80%	Land	Syndicated loan contract with 9 financial institutions including the arranger bank E.SUN Commercial Bank - contains Program A and Program B；Program A is secured borrowings, repayable every six months from 2018.10.5, totaling 9 installments. For the first to 8th periods the amount payable is $15,000, and for the 9th period the amount payable is $180,000.
Mega International Commercial Bank	〃	31,875	〃	〃	〃	
Chang Hwa Bank	〃	31,875	〃	〃	〃	
DBS Bank	〃	31,875	〃	〃	〃	
Bank of Taiwan	〃	31,875	〃	〃	〃	
Taipei Fubon Commercial Bank	〃	31,875	〃	〃	〃	
Bank SinoPac	〃	25,500	〃	〃	〃	
Cathay United Commercial Bank	〃	15,938	〃	〃	〃	
Taishin International Bank	〃	15,937	〃	〃	〃	
E.SUN Commercial Bank	Unsecured borrowings	7,500	2018.1.22～2022.10.5	1.80%	None	Syndicated loan contract with 9 financial institutions including the arranger bank E.SUN Commercial Bank - contains Program A and Program B；Program B is unsecured borrowings with due date on 2022.10.5.
Mega International Commercial Bank	〃	6,250	〃	〃	〃	
Chang Hwa Bank	〃	6,250	〃	〃	〃	
DBS Bank	〃	6,250	〃	〃	〃	
Bank of Taiwan	〃	6,250	〃	〃	〃	
Taipei Fubon Commercial Bank	〃	6,250	〃	〃	〃	
Bank SinoPac	〃	5,000	〃	〃	〃	
Cathay United Commercial Bank	〃	3,125	〃	〃	〃	
Taishin International Bank	〃	3,125	〃	〃	〃	
Mega International Commercial Bank	Secured borrowings	88,230	2018.8.21～2023.8.21	1.35%	Buildings and structures	The first repayment date is 12 months after the first drawdown date, and after, the loan is repayable quarterly in 17 installments.
O-Bank	Unsecured borrowings	8,000	2018.5.11～2020.11.1	1.29%	None	The first repayment date is 18 months after the first drawdown date, and after that, the loan is repayable quarterly in 5 installments.
Taipei Fubon Commercial Bank	〃	100,000	2019.8.22～2022.2.22	1.25%	〃	The first repayment date is 6 months after the first drawdown date, and after that, the loan is repayable quarterly in 8 installments.
		501,230				
	Less：Current portion	(99,028)				
		$ 402,202				

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Lease period	Discount rate	Balance as of December 31, 2019	Footnote
Land	—	2005.11.25~2041.12.31	1.80%	$ 131,343	—
			Less：Current portion	(4,912)	
				$ 126,431	

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF SALES REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Quantity	Amount: Subtotal	Amount: Total	Footnote
Sales:				
Linear guide	621,000	$ 986,767		–
Others		54,371		–
Sales			$ 1,041,138	–
Less: Sales returns			(228)	–
Sales discounts and allowances			(184)	–
Sales revenue, net			$ 1,040,726	

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Amount
Raw materials at January 1, 2019	$ 110,259
Add: Raw materials purchased	105,803
Gains on physical count of raw materials	539
Raw materials at December 31, 2019	(83,509)
Raw materials during the year	133,092
Supplies at January 1, 2019	76,399
Add: Supplies purchased	61,372
Less: Transfer to expenses	(2,040)
Losses on physical count of supplies	(204)
Sale of supplies	(4,446)
Supplies at December 31, 2019	(57,206)
Supplies used during the year	73,875
Direct labor	138,724
Manufacturing overhead	317,604
Manufacturing cost	663,295
Work in progress at January 1, 2019	320,238
Add: Work in progress purchased	7,685
Less: Transfer to expenses	(12,257)
Losses on physical count of work in progress	(598)
Work in progress at December 31, 2019	(335,181)
Cost of finished goods	643,182

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF OPERATING COSTS(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Amount
Finished goods at January 1, 2019	$ 55,009
Add: Finished goods purchased	270
Gains on physical count of finished goods	545
Less: Transfer to expenses	(2,470)
Finished goods at December 31, 2019	(45,777)
Cost of production and marketing	650,759
Sale of cost of supplies	4,446
Cost of goods sold	655,205
Reversal of allowance for inventory market price decline	(1,561)
Losses on physical count of inventory	(282)
Revenue from sale of scrap	(531)
Operating costs	$ 652,831

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Amount		Footnote
Wages and salaries	—	$	32,872	—
Utilities expense	—		20,677	—
Depreciation	—		68,155	—
Miscellaneous purchase expense	—		58,301	—
Processing fee	—		80,978	—
Others (Note)	—		56,621	—
		$	317,604	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Amount	Footnote
Wages and salaries	—	$ 14,720	—
Traveling expense	—	2,286	—
Freight	—	4,618	—
Advertisement expense	—	7,046	—
Commission	—	3,279	—
Import/Export expense	—	3,636	—
Others (Note)	—	8,647	—
		$ 44,232	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Amount	Footnote
Wages and salaries	—	$ 36,954	—
Director's remuneration	—	4,966	—
Depreciation	—	4,562	—
Professional service fee	—	5,405	—
Others (Note)	—	29,175	—
		$ 81,062	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of NTD)

Item	Description	Amount	Footnote
Wages and salaries	—	$ 26,988	—
Research material expense	—	15,221	—
Others (Note)	—	17,367	—
		$ 59,576	

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

CHIEFTEK PRECISION CO., LTD.
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTIZATION EXPENSES IN THE CURRENT PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Refer to Note 6(20) ‘Expense by nature’ and Note 6(21) ‘Employee benefit expense’ of parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.

Loans to others

For the year ended December 31, 2019

Table 1 — Expressed in thousands of NTD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party （Note 2）	Ceiling on total loans granted （Note 2）	Footnote
0	CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	Other receivables	Y	$ 50,560	$ 47,968	$ -	2.0%	Short-term financing	$ -	Operational use	$ -	—	$ -	$ 809,914	$ 809,914	—

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

(1) Parent company is ‘0’.

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

(Note 2) Calculation of limit on loans granted to a single party and ceiling on total loans granted are as follows:

The limit on total amount of loan granted to certain entities with short-term finaincing need is set at 40% of the Company's net assets: the limit on an amount of loan granted to a single entity could not exceed 40% of the Company's net assets.

CHIEFTEK PRECISION CO., LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2019

Table 2 | Expressed in thousands of NTD

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	$ 1,012,393	$ 201,540	$ 201,540	$ 45,347	$ -	10%	$ 1,012,393	Y	N	N	–
0	CHIEFTEK PRECISION CO., LTD.	CSM Maschinen GmbH	1	1,012,393	123,620	50,385	-	-	2%	1,012,393	Y	N	N	–
0	CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	1	1,012,393	153,850	59,960	47,968	-	3%	1,012,393	Y	N	N	–

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

(Note 2) The following code respresents the relationship with the Company:
(1) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The total endorsements/guarantees provided shall not exceed 50% of the Company’s net assets, and the amount provided for each counterparty shall not exceed 20% of the Company’s paid-in capital. However, the limitation is not applied to subsidiaries that the Company directly or indirectly holds more than 50% of the voting shares.
(2) For trading partner, except for the abovementioned limit, the maximum amount for individual trading partner shall not exceed the higher of total purchase and sale transations during the most recent year.

CHIEFTEK PRECISION CO., LTD.

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

For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD

			Transaction				Description and reasons for difference in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	($ 175,528)	(17%)	(Note 1)	$ -	(Note 2)	$ 78,103	18%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(244,064)	(23%)	(Note 1)	-	(Note 2)	151,797	34%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	The Company	Purchases	175,528	81%	(Note 1)	-	(Note 3)	(78,103)	(98%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	The Company	Purchases	244,064	100%	(Note 1)	-	(Note 3)	(151,797)	(100%)	—

(Note 1) 180 days after monthly-closing, T/T.
(Note 2) The collection periods for third parties are from 30 days after monthly-closing to 180 days after next monthly-closing.
(Note 3) The payment periods for third parties are from 30 days after monthly-closing to 60 days after next monthly-closing.

CHIEFTEK PRECISION CO., LTD.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2019

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
CHIEFTEK PRECISION CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	$ 151,797	1.59	$ -	-	$ 47,045	$ -

CHIEFTEK PRECISION CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2019

Table 5 Expressed in thousands of NTD

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Sales revenue	($ 175,528)	180 days after monthly-closing, T/T	(13%)
				Commission expense	3,279	–	–
				Accounts receivable	78,103	–	2%
				Endorsements and guarantees	201,540	–	6%
				Other payables	(1,028)	–	–
		CSM Maschinen GmbH	1	Endorsements and guarantees	50,385	–	2%
			1	Acquisition of intangible assets	20,913	–	1%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(96,188)	180 days after monthly-closing, T/T	(7%)
				Accounts receivable	37,470	–	1%
		Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	(244,064)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	151,797	–	5%
		CHIEFTEK PRECISION INTERNATINAL LLC	1	Endorsements and guarantees	59,960	–	2%
		CHIEFTEK PRECISION HOLDING CO.,LTD.	1	Dividend Income	(121,770)	–	(9%)
1	CHIEFTEK PRECISION HOLDING CO.,LTD.	CHIEFTEK PRECISION USA CO., LTD.	3	Dividend Income	(40,316)	–	(3%)
				Dividends receivable	40,316	–	1%
		Chieftek Precision (Hong Kong) Co., Limited	3	Dividend Income	(118,352)	–	(9%)
2	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Rent payment	11,033	–	1%
				Refundable deposits	1,499	–	–
2	CSM Maschinen GmbH	cpc Europa GmbH	3	Other income	(6,880)	–	(1%)
3	Chieftek Precision (Hong Kong) Co., Limited	Chieftek Machinery (Kunshan) Co., Ltd.	3	Dividend Income	(56,020)	–	(4%)

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

(1) Parent company is ‘0’.

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

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

(Note 4) Only transactions over million are material.

(Note 5) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:29.98) as at December 31, 2019.

CHIEFTEK PRECISION CO., LTD.

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended	Investment income (loss) recognized by the Company for the year ended	
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	December 31, 2019	December 31, 2019	Footnote
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Samoa	Professional investment	$ 152,263	$ 202,290	5,100,000	100	$ 211,424	$ 19,619	$ 19,619	Subsidiary
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Germany	Sale of high precision linear motion components and rendering after -sale services	98,695	98,695	-	100	(12,783)	4,029	4,029	Subsidiary
CHIEFTEK PRECISION CO., LTD.	CSM Maschinen GmbH	Germany	Research, manufacture and sale of machineries	19,349	726	-	100	749	(8,681)	(8,681)	Subsidiary
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	61,551	61,551	-	100	59,251	173	173	Subsidiary
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sale of high precision linear motion components and rendering after -sale services	50,027	-	1,660,000	100	24,352	-	-	Subsidiary (Note 1)
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	152,898	152,898	5,100,000	100	206,143	13,325	-	Subsidiary (Note 2)
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sale of high precision linear motion components and rendering after -sale services	-	49,767	-	100	-	5,704	-	Subsidiary (Note 1) (Note 2)

(Note 1) Obtained 100% equity through CHIEFTEK PRECISION HOLDING CO., LTD. capital reduction on December 31, 2019.
(Note 2) Not required to disclose income (loss) recognized by the Company.
(Note 3) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:29.98) as at December 31, 2019

CHIEFTEK PRECISION CO., LTD.

Information on investments in Mainland China - Basic information

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 （Note 2）	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sale of high precision linear motion components and rendering after-sale services	$ 152,898	Note 1	$ 152,898	$ -	$ -	$ 152,898	$ 13,314	100%	$ 13,314	$ 206,129	$ 121,770	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
CHIEFTEK PRECISION CO., LTD.	$ 152,898	$ 152,898	$ 1,214,871

(Note 1) Through investing in an existing company in the third area (Chieftek Precision (Hong Kong) Co., Ltd.) which then invested in the investee in Mainland China.

(Note 2) The investment income (loss) is recognized based on the investees’ financial statements that were reviewed by parent company’s accountant for the year ended December 31, 2019.

(Note 3) The ceiling amount is 60% of the higher of net worth or consolidated net worth.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:29.98) as at December 31, 2019.

CHIEFTEK PRECISION CO., LTD.

Information on investments in Mainland China - Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD

	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others
Chieftek Machinery (Kunshan) Co., Ltd	$ 244,064	23%	$ -	-	$ 151,797	36%	$ -	-	$ -	$ -	-	$ -	$ -