Stock Code: 3698
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LEXTAR 2019 Annual Report

Date of Publication: April 11, 2020

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INVESTOR RELATIONS CONTACTS

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Title：	Deputy General Manager and CFO
Deputy Spokesperson：	Fiona Chiu
Title：	Dept. Manager
Tel：	(03)5658800 Ext.1999
Email:：	lextar@lextar.com

HEADQUARTERS, BRANCHES AND PLANT

Corpotate Headquarters：	No.3, Gongye E. 3rd Rd. Hsinchu Science Park Hsinchu 30075, Taiwan, R.O.C.
Chunan Branch： Chunan Plant：	NO.1, Keyi St., Kuan Yuan Science Park, Chunan Township, Miaoli County 35059, Taiwan. R.O.C.
Tel：	(03)5658800

REGISTRAR & TRANSFER AGENT

Company:：	Taishin International Bank
Address：	B1, 96 Jianguo N. Road, Sec. 1, Taipei 104, Taiwan, R.O.C.
Website：	www.taishinbank.com.tw
Tel：	(02)2504-8125

INDEPENDENT ACCOUNTANTS

CPA：	Cheng Chien Chen、Sheng Ho Yu
Accountants Company：	KPMG International
Address：	68Fl, Taipei 101 Tower No. 7, Sec.5, Xinyi Road, Taipei 11049, Taiwan, R.O.C.
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OVERSEAS SECURITY EXCHANGE LISTING： None

WEBSITE:： Lextar.com

Letter to Shareholders

Due to the impact of China-US trade war on the international economy, the investors and consumers tended to be more conservative in 2019, resulting in slow economic growth. However, it never stopped the advancement of new technologies in the future. For example, under the continuous evolvement of display technology, the improved color, contrast and resolution brought new visual experience. The mobile devices and wearable devices became more intelligent, which combined biometrics such as facial or fingerprint recognition to provide more individualized smart service. 5G would accelerate the on-vehicle revolution, and realize smart-aided driving and smart headlight. All these new technologies would show overturning influence on human life, and promote the optoelectronic semiconductor applications to further expand.

Looking back at the LED industry, the capacity expansion of the LED chip plants in China resulted in oversupply and interrupted the normal development of the industry, while the globally large plants focused on the development of special optical applications and integrated products, which built the technical barriers. With the history of 11 years since its establishment, Lextar Electronics insists on the technical development and application market of optoelectronic semiconductors. Besides LED chip, package, and vertical integration of optoelectronic module, in response to the rise of 5G communication market, we've also horizontally expand to the next-generation semiconductor field. By investing in First Vertical Laser Inc. and HEXAWAVE INC., we learned the key technologies of upstream epi and chip applied on the compound semiconductors, and gradually penetrated into the electronic component field of communication and power semiconductor, which will be indispensable in this revolution of human life.

With the robust backbone of backlight products, Lextar also actively strengthens the deployment in the new technical fields such as automotive lighting, sensing, Mini/Micro LED and UV, which even steps from blue LED to red LED and invisible light technology to provide the customer with "light" solution. In terms of the production management over the past year, we quickly increased the mass production speed of the production lines, optimized the supply chain management and improved the operation efficiency for the plant in Chuzhou, China. Under the efforts of all employees, Lextar faced with the stress of price competition in the overall LED market, still achieved the stable development and focused on the investment into new technologies and new application market in 2019:

- The consolidated revenue in 2019 was NT$9.05 billion, dropping by 18.1% comparing with that in the previous year.
- Net after-taxe loss was NT$365 million
- The after-tax loss per share was NT$0.61
- ROE was -3.24%

Reviewing the market of the main applications in 2019, the Mini LED developed by Lextar for the display application in a long time was commercialized successfully. The I-Mini Blue backlight products also helped the customer win the 2020 CES innovation award, which was applied in the high-end notebooks and gaming screens. Besides, the key products of backlight application also include the backlight products of High Dynamic Range (HDR), Wide Color Gamut (WCG), super narrow border panel, and automotive panel backlight technologies. Moreover, in terms of RGB display, Lextar also publically released the I-Mini RGB display module and the Micro LED technology, which could be applied to the automotive dashboards, navigation screens, head-up displays, outdoor bus stop signboards. As a result, Lextar took up the leading position in the Mini / Micro LED field. With the improvement of capability in manufacturing red LED, Lextar would strengthen the advantages of core technologies in terms of LED chip, package, drive circuit and module design.

In 2019, Lextar actively deployed the products in the new application fields such as automotive lighting, sensing, UV and wearable device. As for the **3D sensing application**, it successfully developed the VCSEL components based on ToF principle, which were provided to the customers of renowned brands in Europe, America and China, and could be applied to 3D facial recognition and AR/VR. Besides, IR LED products have been applied in the markets of sensing, security and smart doorbell. On the other hand the components of **wearable application** were successfully introduced to the globally-renowned sport bracelet brand. In addition, **UV products** were also widely used in the markets of printing curing, medical care and sterilization.

In terms of the **lighting components**, Lextar continuously promoted the high CRI LED technology and the RGBWW packaging products applied in landscape and plant lighting. Besides, we also developed the special lighting modules: including the applications of medical lighting, building lighting, stage lighting and industrial lighting, and provided the customized photoelectric design service for the customer, so as to bring value added for the products.

In the past, Lextar constantly invested into the development of new technologies, new processes and new products, strengthened the key technologies and intensified the layout of patents. More than 2,200 patents in total have been obtained globally (including the cases approved and pending). With the R&D fund reaching NT$770 million, the technology achievements have been recognized by important customer globally.

In 2019, Lextar Electronics achieved the key development achievements as listed below:

- Delivered I-Mini Blue backlight products, and took the leading position in the industry
- Launched the Micro / Mini LED products and technologies, expanded the full series of Mini LED applications
- Published VCSEL package and module products of 3D sensing applicable to driving monitoring systems
- Took the lead in the industry to release RGBWW lighting application package applicable to landscape and plant lighting
- Shipped IR LED products to a globally renowned smart doorbell brand, and security surveillance applications.
- Shipped the packaging module of wearable applications successfully to a globally renowned sport watch brand
- Launched the UV LED products with special viewing angle applied to sterilization and disinfection
- Chuzhou Plant in Anhui Province passed ISO 45001 and ESD S20.20 certifications

Aside from development of product technologies, Lextar also kept repaying the society. Through the three activities of “Together We Read and Achieve Our Dreams”, “Hope Reading” and “LED Magicians’ Camp”, Lextar constantly shows care for the education of the schoolchildren in the rural areas. The program of “Together We Read and Achieve Our Dreams” has been implemented for seven years consecutively, which renovated the Hope Library for Hsinchu Wufeng Middle School in 2019 to provide a bright and warm reading environment for the schoolchildren to enjoy reading and grow happily. Moreover, Lextar continuously organized the “LED Magicians’ Camp” to teach the schoolchildren about the optoelectronic basics and conduct generic education of environmental protection and energy conservation. It allowed the schoolchildren to learn and grow with books and games liked by them.

In the prospect of 2020, under the uncertainty of China-US trade war, the impacts of COVID-19 epidemic on the economy and society, and the fierce competition in the market, as well as the rise of new applications, Lextar Electronics as the provider of photoelectric semiconductor solution, is dedicated to the integration of photo, mechanical, electric and thermal technologies and the product innovation. It will focus on the development of four product fields including display, sensing, automotive and professional lighting, and actively penetrate into the electronic components fields of communication and power semiconductor. Besides, it will continuously optimize the production efficiency, invest in smart manufacturing and speed up the mass production of new products, so as to firstly seize the opportunities in the market. Lextar Electronics will be continuously dedicated to the product development and design service of the semiconductor technologies to maintain the industrial place, realizing the corporate vision of “Smart Innovation, Amazing Life”.

Sincerely,

Chairman and CEO

Company Profile

I. Date of Incorporation: May 23, 2008

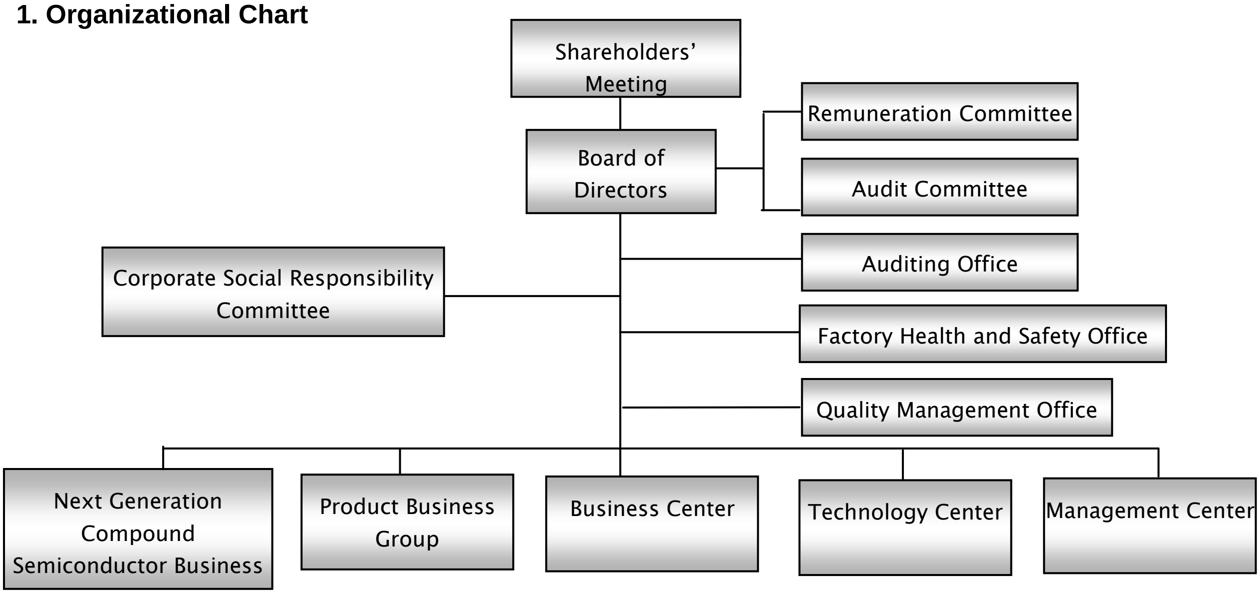
II. Company History

May, 2008	LEXTAR ELECTRONICS CORP. was established with paid-in capital of NT$ 1.5 billion.
Aug. 2008	Establishment of first batch of machines was completed.
Sep. 2008	The Company obtained ISO9001 certification.
Oct. 2008	Test production of LED was successful. The Company obtained QC080000 certification.
Feb. 2009	The Company held capital increase by cash of NT$ 500 million. Its capital after increase is NT$ 2 billion.
Jun. 2009	The Company changed its address to No. 3, Industrial East Third Road, Hsinchu Science Park.
Jul. 2009	The Company broke its monthly production volume record of 100 million LEDs.
Oct. 2009	The Company held capital increase by cash of NT$ 250 million. Its capital after increase is NT$ 2.25 billion.
Feb. 2010	The Company held private placement of common stock of NT$ 250 million. Its capital after increase is NT$2.5 billion. The merger proposal of the Company merging with LightHouse Technology Co., LTD. was approved during the shareholders' meeting. After the merger, the Company is the surviving company.
Mar. 2010	The Company merged with LightHouse Technology Co., LTD. and issued common stock of NT$655 million. Its paid-in capital increased to NT$3.155 billion. The Company officially listed in the emerging stock market on March 26, 2010.
Apr. 2010	The Company held capital increase by cash of NT$550 million. Its capital after increase is NT$3.705 billion.
May 2010	Lextar Electronics (Suzhou) Corp. started its plant construction.
Jun. 2010	The Company held Shareholders' meeting to re-elect directors. At the same time, 3 independent directors were elected to compose the audit committee to be in charge of executing the duties of supervisors stipulated in relevant laws. The Company won the Job Creation Contribution Award issued by Institute of Occupational Safety and Health, Executive Yuan.
Sep. 2010	The Company obtained OHSAS 18001 and ISO 14001 certification.
Dec. 2010	The Company produced its first domestic 6-inch LED wafer fabrication.
Jun. 2011	The Company held capital increase by earnings NT$240 million. Its capital after increase is NT$3.967 billion.
July 2011	The headquarter of LEXTAR ELECTRONICS in Hsinchu won the nation's 1st LED plant with Green Building Gold Label Certificate.
Sep. 2011	The Company held capital increase by cash of NT$230 million. Its capital after increase is NT$4.191billion. LEXTAR ELECTRONICS was officially listed in Taiwan Stock Exchange.
Sep. 2012	The Company held its 1st issuance of domestic unsecured convertible corporate bond of NT$1 billion.
Feb. 2013	The Company merged with Wellypower Optronics Corp. and issued common stock of NT$850 million and cancelled NT$140 million. After the merger, the company's paid-in capital is NT$5 billion.
Aug. 2013	The Company issued 88,000,000 new restricted employee shares. Its paid-in capital after the issuance is NT$5.322 billion.
Jan. 2014	The Company established the Xiamen Plant. The Company held its 2nd issuance of domestic unsecured convertible corporate bond of NT$2 billion.
Mar. 2014	The Company was ranked the top of LED industries in Taiwan for the application amount and certification amount of domestic patents for consecutive 3 years.
May 2014	The Company issued 22,000,000 new restricted employee shares. Its paid-in capital after the issuance is NT$5.399 billion.
Jul. 2014	PANDORA Smart Illumination Lights won US IDEA 2014 Design Award.
Dec. 2014	The Company held its 1st capital increase in cash by private placement of 83,000,000 common stock in 2014. The subscription price per share is NT$30. Dec. 1, 2014 is the base date for capital increase. Its paid-in capital after increase is NT$6.228 billion. US Cree, Inc. subscribed 83,000,000 shares of the Company by private placement through its direct and indirect subsidiary Cree International S.à r.l. and held 13% of the Company's equity.
Jun. 2015	LEXTAR ELECTRONICS won the excellent enterprise award for China's Aladdin lamp award. LEAFIA flat panel light won excellent opto-electronic product award.
Aug. 2015	The Company held its 1st purchase of 20,000,000 treasury stock, which was cancelled on Nov. 2015.
Nov. 2015	The Company held its 2nd purchase of 20,000,000 treasury stock, which was cancelled on May 2016.
Apr. 2016	The Company held its 3rd purchase of 20,000,000 treasury stock, which was cancelled on Aug. 2016.
Jun. 2016	The LED module of headlight application entered the application market of high-speed rail.
Oct. 2016	ALLUXIA's frameless LED flat panel light won German Red Dot Design Award in Germany and 2017 German Design Award.
Jan. 2017	The Company held its 4th purchase of 20,000,000 treasury stock, which was cancelled on Mar. 2017.
Mar. 2017	The Company published the conceptual product of laser headlight in Shanghai for the first time. The Company held its 5th purchase of 35,000,000 treasury stock, which was cancelled on Jun. 2017. The Company issued 47,000,000 new restricted employee shares. Its paid-in capital after the issuance is NT$5.470 billion.
Apr. 2017	The Company signed an investment agreement with Chuzhou City Government, Anhui Province to conduct LED one-stop investment item in "Suchu Modern Industrial Park".
May 2017	The Company issued 3,000,000 new restricted employee shares. Its paid-in capital after the issuance is NT$5.123 billion.
Jul. 2017	Anhui Chuzhou plant held its groundbreaking ceremony.
Sep. 2017	The Company launched the IR module with dual biometrics of iris and facial recognition.
Mar. 2018	The Company published ADB smart headlight system at Shanghai International Headlight Exhibition.
May 2018	Anhui Chuzhou plant obtained ISO 9001 and 14001 certifications. LEXTAR ELECTRONICS celebrates its 10th anniversary.
Jun. 2018	Anhui Chuzhou plant started mass production.
Aug. 2018	The Company issued i-Mini RGB and Micro LED display technology.
Nov. 2018	The Company issued VCSEL product application in 3D sensing.
Mar. 2019	The Company issued automobile LED matrix light module. The Company issued 85,000,000 new restricted employee shares. Its paid-in capital after the issuance is NT$5.202 billion.
Jul. 2019	The Company merged Lextar (Suzhou) with Wellypower (Suzhou). Lextar (Suzhou) is the surviving company and Wellypower (Suzhou) is the dissolved company.
Aug. 2019	The Company published I-Mini Blue module for backlight application and Micro LED transparent display.
Dec. 2019	The Company published new product of UV LED with special beam angle.

Corporate Governance Report

I. Organization

1. Organizational Chart



2. Corporate Functions Carried Out by Major Departments

Department	Functions
Auditing Office	Audit and evaluate the Company's internal control and provide improvements and suggestions to facilitate business efficiency and effective execution of internal control.
Factory Health and Safety Office	Develop and maintained the Company's environment protection/safety/health related policy and daily management responsibilities in the factory zone in accordance with relevant national environment, health and safety regulations.
Quality Management Office	Establish quality objectives in accordance with the Company's quality and green product policy, provide the best and most efficient quality management system operation and promote and execute various quality management business.
Next Generation Compound Semiconductor Business Group	Comprehensively managing the product development, marketing, sales and customers' service of next-generation compound semiconductor.
Product Business Group	Comprehensively managing the product development, marketing, sales and customers' service of various products of the Company.
Business Center	Comprehensively managing various product manufacturing and operation procurement.
Technology Center	Comprehensively managing the R&D of advanced technologies and the development and design of new products.
Management Center	Comprehensively managing the plans and implementations of the Company's human resources, finance, information system, legal affairs, intellectual properties and business management.
Corporate Social Responsibility Committee	Collect issues concerned by the stakeholders, establish project objectives to enhance the management efficiency of corporate social responsibility and satisfy the expectations of the stakeholders in corporate governance, environment protection and social care so as to make the company moving towards sustainable development.

II. Information on the Company's Directors, General Managers, Deputy General Managers, Associate Vice President, and the Chief Officers of Divisions and Branch Units

1. Information on the Company's Directors

Date: April 11, 2020; Unit: thousand shares; %

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Feng Cheng (David) Su	M	2019.6.6	3 years	2010.6.30	4,340	0.84	3,440	0.66	1,527	0.29	NA	NA	Ph.D., Materials Science and Engineering, State University of New York, Stony Brook Chairman of LightHouse Technology Senior Deputy General Manager of AU Optronics.	Note 1	NA	NA	NA	Note 10
Director	Taiwan	Hsuan Bin (H.B.) Chen	M	2019.6.6	3 years	2008.4.29	171	0.03	171	0.03	NA	NA	NA	NA	B.S. Communications Engineering, National Chiao Tung University General Manger, Executive Officer and Deputy Chairman of AU Optronics Chairman of Lextar Electronics	Note 2	NA	NA	NA	
Director	Taiwan	Teng Huei (Allen) Huang	M	2019.6.6	3 years	2013.6.11	2,949	0.57	2,099	0.40	406	0.08	NA	NA	B.S. Chemistry, Chung Yuan Christian University General Manager of LightHouse Technology General Manger of Lextar Electronics	Note 1, Note 3	NA	NA	NA	
Director	Taiwan	AU Optronics Corp.	-	2019.6.6	3 years	2008.4.29	78,418	15.10	78,418	15.10	NA	NA	NA	NA	-	-	NA	NA	NA	
	Taiwan	Representative: Tien Yu Lin	M				NA	NA	NA	NA	NA	NA	NA	NA	M.S. Industrial Engineering, Chung Yuan Christian University Director of BenQ Materials	Note 4 Note 9				
Director	Taiwan	AU Optronics Corp.	-	2019.6.6	3 years	2008.4.29	78,418	15.10	78,418	15.10	NA	NA	NA	NA	-	-	NA	NA	NA	
	Taiwan	Representative: Wei Lung Liau	M				NA	NA	NA	NA	NA	NA	NA	NA	Ph.D. in Applied Chemistry, National Chiao Tung University Deputy General Manager of AU Optronics Director of Qisda Corporation Director of Darwin Precisions	Note 5				
Independent Director	Taiwan	Sen Tai Wen	M	2019.6.6	3 years	2010.6.30	NA	NA	NA	NA	NA	NA	NA	NA	M.B.A. Rutgers, the State University of New Jersey Deputy Chairman of Ability Enterprise Co., Ltd. Chairman and General Manager of Chih Ho Computer	Note 6	NA	NA	NA	
Independent Director	Taiwan	Yih Lian Chen	M	2019.6.6	3 years	2010.6.30	NA	NA	NA	NA	NA	NA	NA	NA	MBA, UC Los Angeles Financial Deputy General Manager of HP Taiwan	Note 7	NA	NA	NA	
Independent Director	Taiwan	Shian Ho Shen	M	2019.6.6	3 years	2013.6.11	NA	NA	NA	NA	NA	NA	NA	NA	B.S. Electrical Engineering, Chung Yuan Christian University General Manager and Director of Chem Tec Corporation	Note 8	NA	NA	NA	

Note 1: Please refer to the Corporate Governance Report in the annual report－Two－II－Information on the Company's Directors, Supervisors, General Managers, Deputy General Managers, Assistant General Managers, and the Chief Officers of all the Company's Divisions and Branch Units (page 9) and Information on the Affiliates stated in Special Records (page 109).

Note 2: Director of Darwin Precisions Corp, director of D8AI Inc., chairman of Allxon, Inc., director of Aco Smartcare Co., Ltd.

Note 3: Director of Wellysun Inc., chairman of First Vertical Laser Inc., director of Hexawave, Inc, Director of Chuzhou Bwin Technology Corp..

Note 4: Deputy general manager of AU Optronics Corp., director of Raydium Semiconductor Corp.

Note 5: Senior deputy general manager of AU Optronics Corp.

Note 6: Director of E-Pin Optical Industry Co. Ltd, director of TAI YI International Venture Corp., director of Visco Vision Inc., director of Bandrich Inc., independent director and remuneration committee member of Onano Industrial Corp., independent director and remuneration committee member of GEM Services, Inc., independent director and remuneration committee member of Billion Electric Co., Ltd..

Note 7: Director of Homeyen Networks Co., Ltd., director of Tai Hwa Oil Industrial Co., Ltd, independent director and remuneration committee member of Transcend Information, Inc.

Note 8: Director of Taiwan Surface Mounting Technology Corp., Director and general manager of Chem Tec Corporation Co., Ltd., director of Anpec Electronics Corporation., director of C SUN Mfg. Ltd.

Note 9: Director AU Optronics Corp. changed its representative to Tien Yu Lin on Sep. 10, 2019. The original representative, Kuo Hsin Tsai, has resigned.

Note 10: Considering chairman Feng Cheng (David) Su's work experiences in relevant field is helpful to the Company. Currently, the chairman, executive officer and general manager of the Company are concurrently served by the same person. In the future, the Company may evaluate and appoint new general manager or add seats of independent directors in accordance with the regulations.

Major Shareholders of Institutional Shareholders

(1) Major Shareholders of Institutional Shareholders

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders	Shareholdings (%)
AU Optronics Corp. (Note)	Qisda Corporation	6.90
	ADR of AU Optronics Corp.	5.43
	Quanta Computer Inc.	4.61
	Fubon Life Insurance Co., Ltd.	3.82
	Trust Holding for Employees for AU Optronics Corp.	3.68
	Tong Hwei Enterprise Co., Ltd.	1.56
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.15
	Cathay Life Insurance Co., Ltd.	1.07
	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.97
	CTBC bank, Yuanta Taiwan 50 Securities Funds	0.74

Note : The information comes from the website of the company, which is recorded in shareholders' roster as of the book closure date (July 19, 2019).

(2) Major Shareholders in the Table (1) of the Company's Major Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders	Shareholdings (%)
Qisda Corporation (Note 1)	AU OPTRONICS CORP	17.04
	ACER INCORPORATED	4.15
	DARFON ELECTRONICS CORP	1.86
	DARFON ELECTRONICS CORP. Representative: Kai Jian Su	0.01
	Polunin Developing Countries Fund, LLC	1.34
	Yuanta/P-shares Taiwan Dividend Plus ETF	1.30
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.23
	Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.19
	Dimensional Emerging Markets Value Fund	1.15
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.14
	CREO VENTURE CORP	0.87
ADR of AU Optronics Corp.	Not a company limited. Not applicable.	-
Quanta Computer Inc. (Note 2)	Chien Yu Investment Co., Ltd.	14.82
	Barry Lam	10.76
	Cathay Life Insurance Co., Ltd.	4.27
	Government of Singapore	3.47
	C.C. Leung	2.14
	He Sa Trust	2.07
	New Labor Pension Fund	2.07
	Fubon Life Insurance	1.96
	Nan Shan Life Insurance Co., Ltd.	1.93
	Labor Insurance Funds	1.78
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.	100
Trust Holding for Employees for AU Optronics Corp.	Not a company limited. Not applicable.	-
Tong Hwei Enterprise Co., Ltd.	Tsung Hsiang Tsai	78.93
	Tsung Yu Tsai	17.25
	Ming Hsien Tsai	1.91
	Su Chin Tsai Lin	1.91
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Not a company limited. Not applicable.	-
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.	100
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	Not a company limited. Not applicable.	-
CTBC bank, Yuanta Taiwan 50 Securities Funds	Not a company limited. Not applicable.	-

Note 1: The information comes from 2018 Annual Report, which is recorded in shareholders' roster as of the book closure date (April 23, 2019).

Note 2: The information comes from 2018 Annual Report, which is recorded in shareholders' roster as of the book closure date (April 23, 2019).

Professional qualifications and independence analysis of directors

Condition / Name	Meeting one of the Following Professional Qualification Requirements, Together with at least Five Years Work Experience			Independence Attribute (Note)												Number of Holding Concurrent Independent Director Position in Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or other Academic Department Related to the Business Needs of the Company in Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, certified Public Accountant, or other Professional or Technical Specialist who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Feng Cheng (David) Su			✓			✓		✓	✓		✓	✓	✓	✓	✓	NA
Hsuan Bin (H.B.) Chen			✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	NA
Teng Huei (Allen) Huang			✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	NA
AU Optronics Corp. Representative: Tien Yu Lin			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		NA
AU Optronics Corp. Representative: Wei Lung Liau			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		NA
Sen Tai Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yih Lian Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shian Ho Shen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Information on the Company's Directors, Supervisors, General Managers, Deputy General Managers, Associate Vice President, and the Chief Officers of all the Company's Divisions and Branch Units

Date: April 11, 2020; Unit: 1,000 shares

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Current Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Share	%	Share	%	Share	%			Title	Name	Relations	
Executive Officer	Taiwan	Feng Cheng (David) Su	M	2009.01.06	3,440	0.66	1,527	0.29	0	0	Ph.D.,Materials Science and Engineering, State University of New York, Stony Brook Senior Deputy General Manager of AU Optronics Corp. Chairman of LightHouse Technology	Chairman of the Company Note 1	NA	NA	NA	Note 2
Deputy General Manager	Taiwan	Mong Lin	M	2011.11.17	1,246	0.24	0	0	0	0	Ph.D. ,Physics. Purdue University Deputy General Manager of EPISTAR Corp.	Note 1	NA	NA	NA	
Deputy General Manager	Taiwan	B.Y. Chang	M	2009.01.06	266	0.05	0	0	0	0	M.B.A. , China Europe International Business School Associate Vice President, Accounting Center, AU Optronics Corp.	Note 1	NA	NA	NA	
Deputy General Manager	Taiwan	Terry Tang	M	2009.07.14	1,264	0.24	0	0	0	0	Ph.D. ,Chemical Engineering, National Tsing Hua University Deputy General Manager, Technology Integration Center, EPISTAR Corp.	Note 1	NA	NA	NA	
Deputy General Manager	Taiwan	Louis Lu	M	2013.02.01	159	0.03	0	0	0	0	Ph.D.,Chemical Engineering, Tatung University R&D Deputy General Manager, Wellypower Optronics Corp.	Note 1	NA	NA	NA	
Deputy General Manager	Taiwan	C.N. Huang	M	2017.05.12	90	0.02	0	0	0	0	M.S. Materials Science and Engineering, National Cheng Kung University Deputy General Manager of EPISTAR Corp.	Note 1	NA	NA	NA	
Deputy General Manager	Taiwan	Mitch Lee	M	2017.12.01	70	0.01	0	0	0	0	M.B.A.,University of California, Berkeley CSO& COO, Niche-Tech Group Limited	Note 1	NA	NA	NA	
Senior Associate Vice President	Taiwan	William Wu	M	2016.01.20	0	0.00	0	0	0	0	M.S., Power Mechanical Engineering, National Tsing Hua University Project Manager of AU Optronics Corp..	Note 1	NA	NA	NA	
Associate Vice President	Taiwan	Brian Lin	M	2013.02.01	21	0.00	0	0	0	0	M.S., Industrial Management, National Taiwan University of Science and Technology Associate Vice President, Manufacturing Office, Wellypower Optronics Corp.	Note 1	NA	NA	NA	
Associate Vice President	Taiwan	Jackson Hsu	M	2017.08.10	0	0.00	0	0	0	0	M.S. Industrial Management, National Yunlin University of Science and Technology Director,Engineering/Manufacturing Office, EPISTAR Corp.	None.	NA	NA	NA	

Note 1: Regarding the concurrent positions of the affiliates taken on by the managers, please refer to the annual report – Information on the Directors', Supervisors and General Managers of Affiliates, Special Records (page 109-110).

Note 2: Considering chairman Feng Cheng (David) Su's work experiences in relevant field is helpful to the Company. Currently, the chairman, executive officer and general manager of the Company are concurrently served by the same person. In the future, the Company may evaluate and appoint new general manager or add seats of independent directors in accordance with the regulations.

3. Remunerations Paid to Directors, Independent Directors, General Managers and Deputy General Managers in the Most Recent Year

(A)Remuneration of Directors and Independent Directors:

Title	Name	Directors Compensation								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	
		Base Compensation (A) (Note 1)		Pension (B) (Note 2)		Directors' Compensation (C) (Note 3)		Allowances (D) (Note 4)			
		The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company	All Companies in the Consolidated Financial Statements (Note 6)
Chairman	Feng Cheng (David) Su	3,000	3,000	0	0	0	0	70	70	-0.99	-0.99
Director	Hsuan Bin (H.B.) Chen	1,000	1,000	0	0	0	0	70	70	-0.35	-0.35
Director	Teng Huei (Allen) Huang	1,000	1,000	0	0	0	0	70	70	-0.35	-0.35
Institutional Director	AU Optronics Corp.	2,000	2,000	0	0	0	0	0	0	-0.65	-0.65
Representative of Institutional Director	Wei Lung Liau	0	0	0	0	0	0	60	60	-0.02	-0.02
Representative of Institutional Director	Kuo Hsin Tsai (Note 8)	0	0	0	0	0	0	60	60	-0.02	-0.02
Representative of Institutional Director	Tien Yu Lin (Note 8)	0	0	0	0	0	0	0	0	0	0
Independent Director	Sen Tai Wen	1,600	1,600	0	0	0	0	70	70	-0.54	-0.54
Independent Director	Yih Lian Chen	1,300	1,300	0	0	0	0	70	70	-0.44	-0.44
Independent Director	Shian Ho Shen	1,300	1,300	0	0	0	0	70	70	-0.44	-0.44

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration for the directors of the Company is determined by the board of directors based on the participation outcomes and contribution level to the Company's overall business value from the directors in accordance with the authorization of Articles of Incorporation and by referencing the paid level of the competing companies. If the Company has profit, the board of directors will determine the remuneration for directors by resolution in accordance with the provisions in Articles of Incorporation. Independent directors are ex officio members of the audit committee. In addition to be paid with remuneration of a general directors, different reasonable remuneration will be established additionally by considering the duties burdened individually, risks taken and time devoted.
2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors :None.

Unit: NT$ 1,000

Relevant Remuneration Received by Directors who are also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 7)
Salaries, Bonuses and Allowances (E) (Note5)		Pension (F) (Note2)		Employee Compensation (G) (Note 3)						
The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company	All Companies in the Consolidated Financial Statements (Note 6)	The Company		All Companies in the Consolidated Financial Statements (Note 6)		The Company	All Companies in the Consolidated Financial Statements (Note 6)	
				Cash	Stock	Cash	Stock			
16,420	17,440	0	0	0	0	0	0	-6.29	-6.62	NA
0	1,740	0	87	0	0	0	0	-0.35	-0.94	NA
9,002	9,002	108	108	0	0	0	0	-3.29	-3.29	NA
0	0	0	0	0	0	0	0	-0.65	-0.65	NA
0	0	0	0	0	0	0	0	-0.02	-0.02	NA
0	0	0	0	0	0	0	0	-0.02	-0.02	NA
0	0	0	0	0	0	0	0	0	0	NA
0	0	0	0	0	0	0	0	-0.54	-0.54	NA
0	0	0	0	0	0	0	0	-0.44	-0.44	NA
0	0	0	0	0	0	0	0	-0.44	-0.44	NA

Note 1: Refers to 2019 directors' remuneration (including directors' salary, position bonus, resignation funds, various bonus, incentive bonus, etc.).
Note 2: These are all appropriation in 2019.
Note 3: Refers to the distribution of directors' remuneration approved by board of directors on March 10, 2020.
Note 4: Refers to the relevant business execution expenses of directors in 2019 (including travel expenses, special expenses, various allowances, accommodation, company car, other physical items, etc.).
Note 5: Refers to the salary, position bonus, resignation funds, various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc. obtained by directors working concurrent as employees in 2019 (In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment" includes employee stock warrant, new restricted employee shares and participation in capital increase by stock subscription, which are all included in the remuneration).
Note 6: Refers to the total remuneration paid to directors from all the companies (including the Company) in the consolidated report.
Note 7: The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.
Note 8: Director AU Optronics Corp. changed its representative to Tien Yu Lin on Sep. 10, 2019. The original representative, Kuo Hsin Tsai, has resigned.

(B) Supervisors' Remuneration: The Company has established audit committee who will be responsible for executing supervisors' duties in relevant regulations. Hence, this is not applicable.

(C) General Managers' and Deputy General Managers' Remuneration:

Unit: NT$1,000

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonus and Special Fees (C)(Note 2)		Employee Remuneration(D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from Reinvested Business other than Subsidiaries (Note 5)
		The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company		All Companies in the Consolidated Financial Statements (Note 4)		The Company	All Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Executive Officer	Feng Cheng (David) Su	22,860	25,121	557	557	46,017	46,017	0	0	0	0	-22.42	-23.15	NA
Deputy General Manager	Mong Lin													
Deputy General Manager	B.Y. Chang													
Deputy General Manager	Terry Tang													
Deputy General Manager	Louis Lu													
Deputy General Manager	C.N. Huang													
Deputy General Manager	Mitch Lee													

*Refers to the salary, position bonus, resignation fees for the chief officers above the level of deputy general manager in 2019, where the bonus and special fees includes the new restricted employee stock of recognized as salary with the amount NT$37,578 thousand obtained in accordance with IFRS2 "Share-based Payment". Up to the date of publication of the annual report, for those who did not meet the vesting conditions, the Company is expected to cancel the new restricted employee stock amounted NT$35,063 thousand in total, however, this amount has not been deducted in the aforementioned table.

Range of Remuneration

Range of Remuneration General Managers and Deputy General Managers	Names of General Managers and Deputy General Managers	
	The first 4 terms (A+B+C+D)(Note7)	
	The Company	Companies in the consolidated financial statements (Note 6)
Less than NT$1,000,000		
NT$1,000,000 (included) ~ 2,000,000 (excluded)		
NT$2,000,000 (included) ~ 3,500,000 (excluded)		
NT$3,500,000 (included) ~ 5,000,000 (excluded)		
NT$5,000,000 (included) ~ 10,000,000 (excluded)	Mong Lin、Terry Tang 、B.Y. Chang、Louis Lu、C.N. Huang	Mong Lin、B.Y. Chang、Louis Lu、C.N. Huang
NT$10,000,000 (included) ~ 15,000,000 (excluded)	Mitch Lee	Terry Tang、Mitch Lee
NT$15,000,000 (included) ~ 30,000,000 (excluded)	Feng Cheng (David) Su	Feng Cheng (David) Su
NT$30,000,000 (included) ~ 50,000,000 (excluded)		
NT$50,000,000 (included) ~ 100,000,000 (excluded)		
Greater than or equal NT$100,000,000		
Total	7 people	7 people

Note 1: These are all appropriation in 2019.

Note 2: Refers to the bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc.obtained by chief officers above the level of deputy general managers in 2019.(In addition, the salary expenses recognized in accordance with IFRS2 “Share-based Payment” includes employee stock warrant, new restricted employee shares and participation in capital increase by stock subscription, which are all included in the remuneration.)

Note 3: Refers to the distribution of employees’ remuneration approved by board of directors on March 10, 2020.

Note 4: Refers to the remuneration for managers above the level of deputy general managers paid by all companies in the consolidated report (including the Company).

Note 5: The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

Note 6: Refers to the remuneration for managers above the level of deputy general managers paid by all companies in the consolidated financial statements (including the Company).

Note 7: After subtracting the remuneration recognized for the new restricted employee stock obtained by general managers and deputy general managers in 2019 with the amount cancelled for those who did not meet the vesting conditions, the distribution range for the remuneration paid to general managers and deputy general managers from the Company and companies in the consolidated financial statements was changed from the current distribution range to 1 person in NT$2,000,000~3,500,000, 4 persons in NT$3,500,000~5,000,000, 2 persons in NT$5,000,000~10,000,000 for the Company; and 1 person in NT$2,000,000~3,500,000, 3 persons in NT$3,500,000~5,000,000 and 3 persons in NT$5,000,000~10,000,000 for all companies in the consolidated financial statements.

(D) Managerial officers with the top five highest remuneration amounts in a TWSE/TPEx-listed company:

Unit: NT$1,000

Title	Name	Salary (A) (Note 1)		Pension (B)		Bonus and Special Fees (C)(Note 2)		Employee Remuneration(D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 5)
		The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company	All Companies in the Consolidated Financial Statements (Note 4)	The Company		All Companies in the Consolidated Financial Statements (Note 4)		The Company	All Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
Executive Officer	Feng Cheng (David) Su	5,049	6,068	0	0	11,372	11,372	0	0	0	0	-5.30	-5.63	NA
Deputy General Manager	Mitch Lee	2,934	2,934	108	108	7,306	7,306	0	0	0	0	-3.34	-3.34	NA
Deputy General Manager	Terry Tang	3,264	4,505	17	17	6,507	6,507	0	0	0	0	-3.16	-3.56	NA
Deputy General Manager	C.N. Huang	2,949	2,949	108	108	5,985	5,985	0	0	0	0	-2.92	-2.92	NA
Deputy General Manager	Mong Lin	3,250	3,250	108	108	5,296	5,296	0	0	0	0	-2.79	-2.79	NA

Note 1: Refers to the salary, position bonus and resignation fees for the managers with the top five highest remuneration during the most recent year.

Note 2: Refers to various bonus for managers above the level of deputy general managers, bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc. for the institutional directors or supervisors appointed by the Company and its subsidiaries. In addition, the salary expenses recognized in accordance with IFRS 2 “Share-based Payment” includes employee stock warrant, new restricted employee shares and participation in capital increase by stock subscription, which are all included in the remuneration. Among them, the bonus and special allowance includes the new restricted employee stock of recognized as salary with the amount NT$29,257 thousand obtained in accordance with IFRS2 “Share-based Payment”. Up to the date of publication of the annual report, for those who did not meet the vesting conditions, the Company is expected to cancel the new restricted employee stock amounted NT$27,213 thousand in total, however, this amount has not been deducted in the aforementioned table.

Note 3: Refers to the employees’ remuneration for the managers with the top five highest remuneration approved by board of directors during the most recent year (including stock and cash).

Note 4: Refers to various total remuneration for managers of the Company with the top five highest remuneration paid by all the companies (including the Company) in the consolidated reports.

Note 5: The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of ventures other than subsidiaries or of the parent company.

(E) Name of the Managers received Employees’ Remuneration and the Distribution Situation: Not Applicable:

4. Analysis of the proportion of the total remuneration paid to directors, supervisors, general managers and deputy general managers, etc. of the Company paid by the Company and all companies in the consolidated financial statements to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(A) Analysis on the total remuneration paid to the directors, general managers and deputy general managers of the Company during the two most recent years by the Company and all companies in the consolidated reports accounted for net profit after tax in the individual financial report:

Unit: NT$1,000

Item	2018	2019
Net profit (loss) after tax in the individual financial report of the Company	49,292	(309,651)
Ratio accounted for the remuneration paid to the directors by the Company (%)	24.87	-3.79
Ratio accounted for the remuneration paid to the directors by all the companies in the consolidated reports (%)	24.87	-3.79
Ratio accounted for the remuneration paid to the managers above the level of deputy general managers by the Company (%)	99.99	-22.42
Ratio accounted for the remuneration paid to the managers above the level of deputy general managers by all the companies in the consolidated reports (%)	104.17	-23.15

Note: The aforementioned amount includes remuneration in terms of transportation fees, remuneration, profit distribution, bonus and other remuneration.

(B) The policy, standard and combination of paid remuneration, procedures establishing the remuneration and their relations with the business performances and future risks:

(1) Board of directors determined the directors' remuneration according to their participation and contribution on the Company's overall business performance in accordance with the authorization in the Articles of Incorporation and by referencing "Regulations for the Remuneration to Directors and Functional Committees" established based on the market standards in competing companies. If the Company has profit, the board of directors will determine the directors' remuneration in accordance with the provisions in Articles of Incorporations. The annual amount of remuneration paid to the Directors and Managers of the Company is approved by the appraisal of the Salary & Remumeration Committee, further submitting to the Board of Directors.

(2) The Company has arranged to approve on the "Regulations Governing Procedure for Board of Directors Performance Assessments" during the board meeting in May 2020. In the regulation, it stipulates that the performance evaluation results shall be used as a reference basis for electing or nominating directors, and the performance evaluation results of an individual director shall be used for establishing his/her remuneration.

(3) The appointment, dismissal and remuneration of general managers and deputy general managers have been approved by board of directors in accordance with the Company's regulations. The standards for paying the remuneration is based on the "Principles on the Remuneration Policy for Managers" established by the Company's remuneration committee and board of directors. The annual amount of remuneration paid to the Directors and Managers of the Company is approved by the appraisal of the Remumeration Committee, further submitting to the Board of Directors.

(4) The remuneration policy for managers is mainly positively correlated to personal duties, contribution to the Company, performance presentation and overall business performance outcomes while referencing the standard principles of competing companies. After the remuneration committee has decided, they will submit the proposal to board of directors for approval. The overall combination of remuneration mainly includes basic salary, bonus and employees' remuneration and welfare.

III. Implementation of Corporate Governance

The board of directors takes priority in considering the interests of the Company and all shareholders to conduct business evaluation and make material resolution. The accountants and independent directors also play the supervision roles to review the Company and the board of directors' business operations with a careful attitude.

The Company will continue to enhance the Company's business efficiency and implement corporate governance with actual actions in accordance with the Securities and Exchange Act and the resolutions from shareholders' meeting.

1. Operations of the Board of Directors

The board of directors held 7 meetings during 2019. The attendance (attending as non-voters) of directors is listed as follows:

Title	Name		Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Feng Cheng (David) Su		7	0	100%	
Director	Hsuan Bin (H.B.) Chen		7	0	100%	
Director	Teng Huei (Allen) Huang		7	0	100%	
Director	AU Optronics Corp.	Representative: Kuo Hsin Tsai	6	0	100%	(Note)
		Representative: Wei Lung Liau	6	1	86%	
		Representative: Tien Yu Lin	0	1	0%	
Independent Director	Sen Tai Wen		7	0	100%	
Independent Director	Yih Lian Chen		7	0	100%	
Independent Director	Shian Ho Shen		7	0	100%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act:
   The Company has established the audit committee. Hence, it does not apply to the regulations in Article 14-3. Regarding the explanations on the matters listed in Article 14-5 of the Securities and Exchange Act, please refer to audit committee operation status (page 17).
   (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
   (1) Board of directors' meeting on Jan. 25, 2019
   1. Approved the 2018 performance bonus of managerial officers". The chairman Feng Cheng Su worked concurrently as the manager; hence, he shall avoid conflict of interests in accordance with the Regulations Governing Procedure for Board of Directors Meetings. Chairman Feng Cheng Su appointed the representative of the director AU Optronics Corp., Kuo Hsin Tsai as acting Chairman of this motion. Upon solicitation of comments by acting Chairman, there was no objection voiced and the resolution was adopted unanimously by the directors present.
   (2) Board of directors' meeting on Aug. 7, 2019
   1. Approved "Proposal of 2018 employee profit sharing for managerial personnel" and " Proposal of 2018 director compensation". The chairman Feng Cheng Su worked concurrently as the manager; hence, he shall avoid conflict of interests in accordance with the Regulations Governing Procedure for Board of Directors Meetings. Chairman Feng Cheng Su appointed the representative of the director Hsuan Bin (H.B.) Chen as acting Chairman of this motion. Upon solicitation of comments by acting Chairman, there was no objection voiced and the resolution was adopted unanimously by the directors present.
3. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors, and to fill out "Implementation Status of Board Evaluations." : The Company will hold evaluations on board of directors in 2020 and disclose the aforementioned matters in 2020 annual report.
4. The objective to enhance the board of directors' competency (e.g. establishing audit committee and enhancing information transparency) and evaluation the implementations during the current year and the most recent year:
   (1) The Company has established the audit committee to replace the duties of supervisors. In addition, the financial statements of the Company were audited and certified by entrusting KPMG International regularly. The Company has correctly completed the public announcement of various information required by the law in-time and appointed dedicated person to be in charge of the collection and disclosure of the Company's information to ensure various material information can be appropriately disclosed in-time.
   (2) The Company has established the remuneration committee to be in charge of assisting the board of directors to regularly review and establish the salary and remuneration for directors and managers and regularly review the performance evaluation of directors and managers and the policy, system, standards and structure of remuneration.

Note: Director AU Optronics Corp. changed its representative on Sep. 10, 2019 to Tien Yu Lin. Its original representative, Kuo Hsin Tsai, has resigned. The representative Wei Lung Liau has entrusted the representative Kuo Hsin Tsai to attend on Jan. 25, 2019. The representative Tien Yu Lin entrusted the representative Wei Lung Liau to attend on Nov. 5, 2019.

2. Operations of Audit Committee

The audit committee held 6 meetings during 2019. The attendance of independent directors is shown as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Sen Tai Wen	6	0	100	
Independent Director	Yih Lian Chen	6	0	100	
Independent Director	Shian Ho Shen	6	0	100	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

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

<table>
<tr><th>Session of the Board (Date)</th><th>Contents of the Proposals</th><th>Results of the resolution by Audit Committee</th><th>The Company's Opinion</th></tr>
<tr><td>4th Board 17th Meeting (2019/3/13)</td><td>◆ To approve the "Internal Control System Statement"
◆ To report the issuance of securities in private placement
◆ To approve 2018 distribution of employees' profit sharing bonus and directors' profit sharing
◆ To approve 2018 Financial Statements, 2018 Business Report and 2019 Business Plan
◆ To approve the proposal for the distribution of 2018 profits.
◆ To approve the distribution of capital surplus by cash
◆ To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new ommon shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB")
◆ To approve the replacement of the CPAs
◆ To approve the Independence Assessment of the new Certified Public Accountant</td><td rowspan="6">Chairperson have acknowledged all attending members of the Audit Committee and they have no dissenting opinion.</td><td rowspan="6">Approved by all attending members.</td></tr>
<tr><td>4th Board 18th Meeting (2019/4/23)</td><td>◆ To approve the revisions to " Handling Procedures for Acquisition or Disposition of Assets ","Handling Procedures for Conducting Derivative Transactions ", " Handling Procedures for Capital Lending " and " Handling Procedures for Providing Endorsements and Guarantees for Third Parties "</td></tr>
<tr><td>4th Board 19th Meeting (2019/5/6)</td><td>◆ To approve the consolidated financial statements for the first quarter of 2019.
◆ To approve the record date for cancellation of Restricted Stock Awards.</td></tr>
<tr><td>5th Board 1st Meeting (2019/6/6)</td><td>◆ To approve the record date for cancellation of Restricted Stock Awards.</td></tr>
<tr><td>5th Board 2nd Meeting (2019/8/7)</td><td>◆ To approve the consolidated financial statements for the second quarter of 2019.
◆ To approve the capital lending among the subsidiaries of Lextar.</td></tr>
<tr><td>5th Board 3rd Meeting (2019/11/5)</td><td>◆ To approve the "Annual Audit Plans of 2020".
◆ To approve the consolidated financial statements for the third quarter of 2019.
◆ To approve the Independence Assessment of the Certified Public Accountants.</td></tr>
</table>

   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

   The audit committee of the Company was composed of all independent directors. In accordance with the Audit Committee Chapter, the audit committee shall hold at least a meeting per season (regular meetings) and may hold a meeting at all times depending on their needs. The accountants and internal audit managers will also participate in the regular meetings.

   (1) The audit committee will hold at least a meeting per season. After the end of each season, the CPAs of the Company will review or audit the financial statement of such season and report on the communication matters required by other relevant regulations and exchange ideas on the audit range, proposed type of report to prepare, changes to the financial statement between two volumes, accounting estimation, selection or changes to accounting principles, whether there is material adjustment on entries or updates on material regulations. The audit committee will also conduct independence review on the election of CPAs and the audit and non-audit services provided.

   (2) After the end of each season, the internal audit manager will submit reports about the internal audit implementations and internal

control implementations in such seasons; in addition, after submitting the audit report and tracking report, they will hand over to the independent directors for review before the end of next month.

4. Annual work focuses and operation:
   (1) Annual work focuses:
      1. Regularly communicate with the internal audit managers about the audit report result in accordance with the annual audit plan.
      2. Regularly exchange ideas with the CPAs of the Company on the review or audit results of the financial statement of each season.
      3. Review the financial statement.
      4. Review the efficiency of internal control system.
      5. The election (dismissal), independence and performance evaluation of the CPAs.
      6. Law compliance.
      7. Manage and control the potential or existing risks of the Company.
      8. Review the merger matters conducted in accordance with Business Mergers And Acquisitions Act.
   (2) 2019 Operation status: The proposals for audit committee have been reviewed or approved by the audit committee and the independent directors has no dissenting opinions.

3. Operation Status of Supervisors Participating in Board of Directors: Not Applicable.

4.Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(I) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established "Corporate Governance Best Practice Principles" regarding provisions in protecting shareholders' interests, enhancing board of directors' competency, respecting stakeholders' interests and enhancing information transparency. To learn about the Corporate Governance Best Practice Principles of the Company, please inquire from the Market Observation Post System and the Company's website.	No major discrepancy
(II) Shareholding structure & shareholders' rights				
1. Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has established 1. Spokesperson and deputy spokesperson. 2. Email for investors: (Lextar@Lextar.com;lex.ir@lextar.com). 3. The Company has set up multiple channels, such as company website, to handle shareholders' suggestions or disputes. To ensure the information that could potentially affect shareholders' decisions can be disclosed in-time and appropriately, the Financial Affairs Office is the dedicated unit to handle shareholders' suggestions, doubts and disputes from a dedicated email; however, regarding litigation matters in which shareholders' filed in accordance with the law, these will be handed over to the legal division to be properly handled.	No major discrepancy
2. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company has declared the changes in shareholdings of insiders (directors, managers and major shareholders with over 10% of shareholdings) to the website "Market Observation Post System" designated by the competent authority in accordance with the law each month and maintained a good relationship with the investors.	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company and its subsidiaries have established relevant management and control in internal control system, "Regulations Governing Subsidiaries", "Regulations Governing the Trading with Interest Parties, Specific Companies and Corporate Group" in accordance with the law.	No major discrepancy
4. Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has established "Regulations Governing Material Inside Information and Prevention against Insider Trading".	No major discrepancy
(III) Composition and responsibilities of the board of directors				
1. Does the Board develop and implement a diversified policy for the composition of its members?	V		In accordance with Chapter 3 "Enhancing the Competency of Board of Directors" in "Corporate Governance Best Practice Principles", the composition of board of directors shall be diversified. Beside the rule that the number of directors working concurrently as the managers of the Company shall not exceed one-third of the directors' seats, the Company has established appropriate diversified direction regarding its operation, business type and development demands, which is advised to include but not limited to the standards of the following two aspects: 1. Basic criteria and value: gender, age, nationality and culture, etc. 2 .Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experiences, etc. Regarding business management, leadership decisions and industry knowledge, we have director Feng Cheng (David) Su, director Hsuan Bin (H.B.) Chen, director Teng Huei (Allen) Huang, director Tien Yu Lin, director Wei Lung Liau, director Sen Tai Wen, director Yih Lian Chen and director Shian Ho Chen; regarding finance and accounting profession, we have director Sen Tai Wen and director Yih Lian Chen. Regarding the age distribution, there are 2 directors under the age of 50, 2 directors in 50~59 years old and 4 directors in 60~69.	No major discrepancy
2. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		In addition to establishing audit committee and remuneration committee, the Company has also established cross-department corporate social responsibility committee. The subsidiaries do not need to establish various functional committees in accordance with the law.	No major discrepancy
3. Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the		V	The Company has arranged to approve on the Regulations Governing Procedure for Board of Directors Performance Assessments during the board meeting in May 2020. Starting from 2020, the Company will conduct performance evaluation and submit the results of performance evaluation to the board of directors meeting each year. The performance evaluation will be applied as references for the directors' remuneration and nomination for re-	No major discrepancy

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>remuneration of individual directors and nominations for reelection?</td><td></td><td></td><td>election.</td><td></td></tr>
<tr><td>4. Does the company regularly evaluate the independence of CPAs?</td><td>V</td><td></td><td>The Company’s board of directors and audit committee will evaluate the independency of accountants each year regularly.
The Company has self-evaluated the independence of the CPA and asked the CPA to prepare the statement of accountants’ independence after the Company confirmed that the accountants have no other financial interests and business relations with the Company except for the expenses of relevant business, such as certification, finance and tax, etc.
The Company also prepared the self-evaluated independence evaluation sheet (Note 1), accountants’ CV (stating the past and current customers of the accountants), statement of accountants’ independence (no violation against the matters in the provisions of Occupational Ethical Regulation Report No. 10) and submitted to the board of directors and the audit committee on March 13, 2019 and Nov. 5, 2019, respectively, to discuss on the independence evaluation of new and original CPA. The board of directors and the audit committee have approved the case by resolution.
Note 1: Accountants’ Independence Evaluation Sheet
<table>
<tr><th>Evaluation Items</th><th>Evaluation Results</th><th>Independence</th></tr>
<tr><td>1. Does the accountant have direct financial interest relation or material indirect financial interest relation with the Company or the affiliates?</td><td>N</td><td>Y</td></tr>
<tr><td>2. Is the accountant engaged in financing or guarantee actions with the Company or affiliates or its directors?</td><td>N</td><td>Y</td></tr>
<tr><td>3. Is the accountant having close business relation and potential employment relation with the Company or affiliates?</td><td>N</td><td>Y</td></tr>
<tr><td>4. Has the accountant served as directors, managers or positions with significant impact on audit work in the Company or affiliates currently or during the two most recent years?</td><td>N</td><td>Y</td></tr>
<tr><td>5. During two years before the certification or one year within the resignation, whether the joint accountants served as directors, managers or positions having major impact on audit work in the Company or affiliates</td><td>N</td><td>Y</td></tr>
</table></td><td>No major discrepancy</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>6. Whether the accountant provided non-audit service items to the Company or affiliates that could directly affect the audit work</td><td>N</td><td>Y</td></tr>
<tr><td>7. Whether the accountant held or intermediary the stocks or other securities issued by the Company or affiliates</td><td>N</td><td>Y</td></tr>
<tr><td>8. Whether the accountant served as the defender of the Company or affiliates or represented the Company or affiliates to coordinate the conflict with other third-party</td><td>N</td><td>Y</td></tr>
<tr><td>9. Whether the accountant ask for any commission related to the business from the Company or affiliates</td><td>N</td><td>Y</td></tr>
<tr><td>10. Whether the accountant was not changed over 7 years?</td><td>N</td><td>Y</td></tr>
<tr><td>11. Whether the accountants prepared the statement of independence</td><td>Y</td><td>Y</td></tr>
</table>
</td><td></td></tr>
<tr><td>(IV) Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?</td><td>V</td><td></td><td>The board of directors approved “LEXTAR ELECTRONICS CORP. Corporate Governance Best Practice Principles” on Nov. 8, 2016. In addition, the board has scheduled to approve on the corporate governance officer during board meeting in May 2020. This person will be the highest chief officer responsible for relevant affairs of corporate governance, who shall acquire attorney, accountant qualification or have worked in manager position in securities, finance, futures institutes or legal affairs, law compliance, internal audit, finance, stock affairs or corporate governance unit at a public company for more than three years. To protect shareholders’ interests and strengthen board of directors’ competency, the major duties of corporate governance personnel is to provide the information required by directors to execute business, assist directors in law compliance, handle relevant affairs for board of directors’ meeting and shareholders’ meeting, etc.
2019 business implementations are as follows:
1. Assist the independent directors and general directors to execute their duties, provide the required materials and arrange the directors’ advanced studies:
(1) Regularly notify the members of the board regarding the latest laws and regulations and amendments thereof in business management field and corporate governance.
(2) Review the classification level of relevant information and provide the company’s information required by the directors, maintain smooth communications between the directors and chief business officers.
(3) Assist in arranging relevant meetings when the</td><td>No major discrepancy</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			independent directors having the needs to meet with internal audit officer or CPA individually to understand the Company's financial business in accordance with Corporate Governance Best Practice Principles. (4) Assist in planning annual advanced study program and courses for the independent directors and general directors in accordance with the Company's industrial properties and the academic background, experiences of directors. 2. Assist the rules of procedures for board of directors' meeting and shareholders' meeting and the law compliance for resolutions: (1) Report the operation status of corporate governance to board of directors, independent directors and audit committee and confirm whether the shareholders' meeting and board meeting satisfied relevant laws and the provisions in Corporate Governance Best Practice Principles. (2) Assist and remind the compliance to laws and regulations when the directors are conducting business operations or the board of directors is making a formal resolution, and make suggestions when the board of directors is making an illegal resolution. (3) After the meeting, the person is responsible for releasing the material information in major resolutions made by the board of directors, ensuring the legality and correctness of the material information to protect the investor's equivalence on transaction information. 3. Maintain investors' relation: Arrange the directors to communicate and exchange ideas with the major shareholders, institutional investors or general shareholders depending on the needs so that the investors can obtain sufficient information to evaluate and decide the reasonable capital market value of the enterprise and their rights can be maintained properly. 4. The person shall notify the directors about the proposed board of directors' meeting agenda 7 days before the meeting, convey the meeting and provide meeting materials. If the proposal required the avoidance of conflict of interest, then the person shall send reminders prior to the meeting. The person shall also complete the meeting minutes within 20 days after the meeting. 5. Register the date for shareholders' meeting in accordance with the law, prepare for the meeting notice, meeting agenda and meeting minutes within legal period and handle the registration change for amendment to Articles of Incorporation or re-election of directors.	
(V) Does the company establish a communication channel and build a designated section on its	V		The Company identified the major stakeholders as employees, shareholders, customers, suppliers, government agencies and established "Stakeholders'	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			zone" on the Company's website (http://Lextar.com) to provide communication channels for various stakeholders to properly respond to corporate social responsibility issues concerned by the stakeholders.	

Stakeholders	Focus Issues	Respond	Communication Frequency
Employees	Educational training Labor relations and welfare Occupational health and safety management Employees' remuneration	Lextar café seminar Labor and capital meeting Lextar's employee association Business orientation Various compliant and consultation line (internal website of Lextar, email to general managers, email for illegal violations and sexual harassment complaints)	Once every season Once every season Once every season Once every half a year Irregular
Shareholders	Corporate governance Corporate social responsibility Operation status	Annual report for shareholders' meeting General shareholders' meeting Institutional Investor Conference Investors' zone in the Company's website Contact window for investors' relation	Once a year Once a year Once a year Irregular Irregular
Customers	Customers' privacy protection Product quality Customers' commitment and services Environment safety and health Employees' rights and equality	Customers' satisfaction survey Customers' audit	Once a year Irregular
Suppliers	Evaluation on the suppliers' social responsibility Management on the prohibition of hazardous materials Response to conflict minerals	Suppliers' audit Complaint email	Irregular
Government Agency	Law compliance Environment protection Corporate governance Labor rights	Orientation held by competent authority Official document correspondence Government agency audit	Irregular

1. Contact window:
   Spokesperson: B.Y. Chang Deputy general manager (tel. 03-5658800 ext. 1999)
2. External communication email:
   Email for government agency: Lextar@Lextar.com
   Customers: Sales.LT@lextar.com
   Email for suppliers: SCM@Lextar.com
   Investors' relation: Lextar@Lextar.com and lex.ir@lextar.com

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			CSR email: CSR@Lextar.com	
(VI) Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has entrusted agent for stock affairs, Taishin International Bank, to handle the Company's stock affairs and shareholders' meeting. Subsidiaries are not public companies. Hence, they do not need to entrust agent for stock affairs.	No major discrepancy
(VII) Information Disclosure				
1. Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has established investors', product introduction and technology R&D information zones in the Company's Chinese and English website (http://Lextar.com) to disclose consolidated financial business and corporate governance at all times.	No major discrepancy
2. Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information on collection and disclosure, creating a spokesperson system, webcasting investor conferences)?	V		(1) The Company has established dedicated personnel in the marketing and promotion division, human resources division and finance division to be responsible for collecting and disclosing the Company's information. (2) The Company irregularly participated in institutional investor conference and disclosed the presentation contents on the Investors' zone in the Company's website and Market Observation Post System.	No major discrepancy
3. Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	The Company announced and declared the financial statement three months after the accounting year ends in accordance with the laws and announced the seasonal financial statements and monthly business report before the deadline.	No major discrepancy
(VIII) Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. Employees' interests and employee care: The Company provides competitive salary standards, including 12-month salary, festival bonus (2 months), employee bonus, annual performance bonus and incentive bonus, etc. We have privileged salary system to gather various talents. We provide vacation days and group insurance system superior than the Labor Standard Act so that our colleagues have no worries besides work. The Company also holds irregular festival activities, sport seasons, movie show, family, cross-department meeting events, art and culture seminars and even collaborates with well-known shopping websites to plan self-opt welfare point system to provide diversified welfares. Moreover, the Company has established "Health Center" with qualified nurses and doctors stationed at the factory at regular period for consultation to provide employees with comprehensive medical assistance and health information, etc. 2. Rights of the investors' relation: The Company held the shareholders' meeting in accordance with the relevant	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			regulations each year and gave the shareholders sufficient opportunities to ask questions or submit proposals. The Company also established spokesperson system to handle shareholders' suggestions, doubts and disputes. The Company also announced and declared relevant information in accordance with the provisions from the competent authorities to provide investors with decisional information in-time. 3. The Company developed Procedures for Managing Suppliers, Procedures for Managing Green Supply Chain and Procedures Combining Procurement and regularly evaluated the suppliers. Its results will serve as references when selecting suppliers. Regarding the contractors contracting all kinds of engineering work or providing labor operations to Lextar Electronics, in addition to compliance in the certificate required by Occupational Safety and Health Act, the engineering safety personnel or supervisory personnel onsite shall attend the certification courses from safety and health division of Lextar Electronics in order to serve as the on engineering safety personnel or supervisory personnel at our construction site. 4. Rights of stakeholders: The Company established stakeholders' zone on the Company's website and established spokesperson and deputy spokesperson to communicate with the stakeholders to protect their interests. 5. The advanced studies taken by directors and supervisors, implementations of risk management policy and risk measurement standards, implementations of customers' policy and the situation of the Company buying liability insurance for directors: (1) The Company irregularly notified directors to attend advanced studies in relevant professional knowledge (please refer to page 26 in the annual report for the advanced studies taken by the directors in 2019). (2) The Company bought liability insurance for directors so that they can stand on the point for investors' interests and carefully conduct their work without having worries at the back of their mind. 6. The Company provided several channels so that the shareholders, stakeholders and customers can know the Company's business and financial situation. 7. Implementation of risk management policy and risk measurement standards: The Company regularly holds board of directors' meeting and audit committee meetings to supervise the Company's business and risk management. 8.Implementations of customers' policy: The Company maintained a close contact with customers, notified them about the benefits of their products and ensured	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			that the products have reached expected reliability and quality.	

(IX) Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures:

(1) The Company was ranked top 6%~20% in the Corporate Governance Evaluation by TWSE issued in 2019.

(2) The Company established "Corporate Social Responsibility Best Practice Principles", "Corporate Governance Principles" and "Ethical Corporate Management Best Practice Principles", which were approved during board of directors' meeting on Nov. 8, 2016. In the future, the Company will take the priority to enhance information transparency, enhance and implement relevant content of corporate social responsibility and prepare corporate social responsibility report.

Directors' Advanced Studies in 2019

Title	Name	Date	Organizer	Course Name	Hours
Chairman and Executive Officer	Feng Cheng (David) Su	2019/03/12	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/10/17	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
Director	Teng Huei (Allen) Huang	2019/03/12	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/10/17	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
Director	Tien Yu Lin	2019/11/21	Securities & Futures Institute	Insider Equity Trading Law Compliance	3 hours
		2019/11/22	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
Director	Wei Lung Liau	2019/03/12	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/10/17	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
		2019/11/21	Securities & Futures Institute	Insider Equity Trading Law Compliance	3 hours
Director	Hsuan Bin (H.B.) Chen	2019/05/16	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/10/17	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
Independent Director	Sen Tai Wen	2019/04/16	Taiwan Corporate Governance Association	Anti-Tax Avoidance Law and the Attack of Taiwan version CRS! A Talk on the Impact of Foreign Companies from Corporate Governance and Countermeasures	3 hours
		2019/05/10	Securities & Futures Institute	New Trend on Corporate Governance of Enterprise Sustainability Management	3 hours
Independent Director	Yih Lian Chen	2019/05/16	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours

Title	Name	Date	Organizer	Course Name	Hours
		2019/08/08	Taiwan Corporate Governance Association	Looking at Economic Substance Act and the Impact of Global Anti-Tax Avoidance on Corporate Governance from the Perspective of Directors and Supervisors	3 hours
Independent Director	Shian Ho Shen	2019/03/12	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/05/13	Taiwan Corporate Governance Association	Thoughts on Merger Strategies and Evaluation Practices and the Trend of Anti-Tax Avoidance	3 hours

5. Composition, Responsibilities and Operations of the Remuneration Committee

(A) Information on members of the Remuneration Committee

Title	Criteria / Name	Meet one of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public account, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Sen Tai Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3 companies	Re-elected
Independent Director	Yih Lian Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1 company	Re-elected
Independent Director	Shian Ho Shen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA	Re-elected

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and

regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

(B) Duties of the Remuneration Committee

Members of the Remuneration Committee are appointed by board of directors. The Remuneration Committee of the Company is composed of 3 independent directors. Please refer to the Company’s website for the Remuneration Committee Chapter.

Their duties are to build the remuneration system of the Company connected with performances, faithfully fulfill the ex officio granted by the board of directors and submitted the remuneration system program or suggestions to board of directors for discussion regularly.

(C) Operations of Remuneration Committee

1. There are 3 members in the Remuneration Committee
2. Term of Office of the members of the Committee:

Term of office of the 3rd Committee: Jun. 3, 2016 to Jun. 5, 2019.

Term of office of the 4th Committee: Jun. 6, 2019 to Jun. 5, 2022.

The Remuneration Committee held 3 (A) meetings in 2019 in total.

Qualification of the members and their attendance:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Sen Tai Wen	3	0	100	-
Member	Yih Lian Chen	3	0	100	-
Member	Shian Ho Shen	3	0	100	-

Other mentionable items:

1. Contents of the proposal and results of the resolution in 2019 Remuneration Committee meetings and the Company’s response.

Session (Date)	Contents of the Proposal	Results of the Resolution	The Company’s Response
3rd Committee 9th Meeting (2019/1/25)	◆ To approve the adjustment of executives and fixed salary. ◆ To approve the 2018 performance bonus of managerial officers.	Chairperson have acknowledged all attending members of the Remuneration Committee and they have no dissenting opinion. The resolution is then submitted to the board of directors.	Approved by all attending members.
3rd Committee 10th Meeting (2019/4/23)	◆ To approve the revisions to "Remuneration Committee Charter"		
4th Committee 1st Meeting (2019/8/9)	◆ Proposal of 2018 employee profit sharing for managerial personnel. ◆ Proposal of 2018 director compensation.		

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
3. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None.
4. Duties of Remuneration Committee:

The members of the Committee shall submit the suggestions of the following to the board of directors for discussion

with the care of a good administrator and in good faith: (1) Remuneration Committee aimed to establish and regularly review performance evaluation on directors and managers and the policy, system, standard and structure of remuneration. (2) Regularly evaluate and establish the remunerations for directors and managers.

6. Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(I) Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		The Company induced the issues having high attention and impact on the stakeholders through questionnaire survey, which also satisfied the concept of materiality. Major issues covered the environment related to the Company's business, social and corporate governance issues, which corresponded to GRI STANDARDS. The Company established the implementation objectives and disclosed the objective achievement situation. Major issues are linked with the contents in each chapter of corporate social responsibility report. The Company conducted evaluations on their financial risk, safety risks, information system risks and established the practical management policy. The detailed explanations are disclosed in the corporate social responsibility report publicly announced and disclosed in the Company's website.	No major discrepancy
(II) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The Company has established Corporate Social Responsibility Committee where the executive officer serves as the chief commissioner, the chief financial officer serves as the executive secretary. The Committee was divided into 5 teams in accordance with the important substantively. The chief officer of the relevant division serves as the responsible person of each team. The Corporate Social Responsibility Committee holds meeting regularly to review their operation performances and report the implementations in the previous year and the objective of the current year to the board of directors meeting in May each year in accordance with the Corporate Social Responsibility Best Practice Principles.	No major discrepancy
(III) Environment issues				
1. Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has established environment management system, implemented continuous improvement of environment protection and obtained third-party certificate of ISO 14001.	No major discrepancy
2. Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		1. The Company conducted statistics on the utilization, control and management information of various resources to effectively manage various wastes and recycles to reduce impact from environment load. 2. The energy-saving, water-saving objectives and management policy for wastes developed by the Company are as follows: a. Energy management (During 2018-2020, the average annual electricity -saving rate in Taiwan factories reached over 1%); (During 2021-2025, the average annual electricity-saving rate in Taiwan factories reached over 1%; in addition, the Company planned to established green power capacity of over 500kw	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			before the end of 2025). b. Water resource management (During 2018-2020, annual water-saving rate in Taiwan factories reached over 1%); (During 2021-2025, the annual water-saving rate in Taiwan factories reached over 1%) c. Waste management (During 2018-2020, the waste management policy for Taiwan factories is maintaining over 70% of resource recycling rate); (During 2021-2025, the waste management policy for Taiwan factories is enhancing resource recycling rate to over 72%).	
3. Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		1. In the corporate social responsibility report on the Company's website, the Company listed the current and future potential risks and opportunities to enterprises and the management directions to the adopted countermeasures of climate-related issues. 2. In addition, the Company has established various management plans for countermeasures of climate-related issues, including energy management, water resource conservation, waste management policy and reduction in the emission of greenhouse gas, etc., included them as management objectives and reviewed their implementations.	No major discrepancy
4. Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		1. The Company has executed the inspection and control on the emission of greenhouse gases. Hsinchu plant and Zhunan plant both passed the 2011 ISO 14064-1：2006 external audit on the inspection of greenhouse gases. Afterwards, the Company established the inspection tools for greenhouse gases accordingly, conducted statistics on the emission information of the greenhouse gases each year and continued to execute reduction on emission of greenhouse gases. 2. The objective for carbon reduction and greenhouse gas reduction is "(reducing at least 500 tons of carbon equipment to CO2 in the annual average carbon emission of Taiwan factories during 2018-2020)"; "(reducing at least 550 tons of carbon equipment to CO2 in the annual average carbon emission of Taiwan factories during 2021-2025)". 3. To implement energy-saving and carbon reduction, the Company established the objectives for 2019 to reduce at least 1% of electricity usage and reduce over 500 tons of CO2 emission. To achieve this objective, the Company consecutively implemented the following programs in 2019, "MOCVD Recipe Time-lapse", "Reducing electricity usage in pure water treatment equipment", "Reducing electricity usage in production machines", "Improving efficiency of CDA dryer". Please refer to the corporate social responsibility report in the official website of Lextar Electronics for the explanations of detailed execution and reduction performances.	No major discrepancy
(VI) Social issues				
1.Does the company formulate appropriate	V		The Company has established "Corporate Social Responsibility Best Practice Principles". In Chapter 4, Article 18, it states that the Company advocates freedom of employment and prohibits	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
management policies and procedures according to relevant regulations and the International Bill of Human Rights?			improper discrimination. In addition, the Company also established "Regulations for Recruitment and Appointment" and "Operating Procedures for Preventing Sexual Harassment" to ensure freedom of employment and general work equality.	
2. Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		The Company thinks that the first step to implement corporate social responsibility is to start from respect and care employees. Every employee is the most important asset of the Company. The Company valued employees' work environment, career development, education training and physical and mental health. The Company also valued the treatment and welfare of employees. The Company regularly participated in the industry salary survey and inspect remuneration and welfare measures and its connection to the market. The Company also designed competitive and incentive remuneration and welfare system. If the Company has profit for the year, then it will allocate 5% to 20% as employees' remuneration. Employees' remuneration is determined according to their academic background, professional experiences and personal performances, regardless of employees' gender. There is no difference in the starting salary of newcomers due to differences in race, religion, political position, gender, marital status, or membership in a union. 1. Occupational health The Company established "health centers" in the factory zone to provide 24-hour health services to protect employees' health comprehensively, including regular health examination, provision of new health knowledge and medical consultation. Meanwhile, the Company also took care of the nutrition in employees' cafeteria to protect employees' health. 2. Employees' relation The Company has smooth communication channels in its internal structure, including the establishment of email for employees' opinion, email to general manager, email to welfare committee etc. With these tools, the Company can effectively solve employees' problem in-time. In addition, the Company also holds the communication time between senior managers and junior managers so that the voice from the basic level can be heard.	No major discrepancy
3. Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		1. In addition to complying relevant domestic regulations, the Company obtained OHSAS 18001 Occupational Health and Safety Management System Certificate recognized internationally to provide safe work environment to employees. 2. The Company also executes labor operation environment detection and health examination in accordance with the law, improves the work environment according to the results, provides necessary protection equipment and adjusts labors' work places. 3. The Company adds the Employee Health and Safety Education Unit in the newcomers' orientation and the regular educational training of each factory every season. Its contents include protection against occupational disasters, education on road	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			safety, enhancement in factory and home safety awareness, individual case sharing, etc. to enable the colleagues to acquire relevant safety and health knowledge and skills to ensure colleagues can work at a safe and healthy environment.	
4. Does the company provide its employees with career development and training sessions?	V		Regarding newcomers and colleagues conducting various work, the Company created Programs for Professional and management Trainings and established Lextar College with College of Science, College of Engineering, College of Quality, College of Law and Commerce and College of Management, providing various resources to satisfy the demands of career development for colleagues.	No major discrepancy
5. Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		1. The Company marked the label of CE, UL, RoHS, Pb free on the products in accordance with the regulations in each countries and the demands of customers for the customers and terminal users to identify whether it satisfied the requirement of regional laws. 2. The Company is also insured with product liability insurance. If there is a defect causing injury, death or financial loss in a third-party, it will be sufficient to cover product liability risks and protect consumers' interests. 3. To ensure that relevant information of the customers will not be acquired by others directly or indirectly. The Company conducts procedures in accordance with "Policy for Internal Information Safety Management" to strictly manage and control users' rights and the device and system of the stored information to avoid transmit data externally. In addition to communicate the demands of customers during meetings regularly, the Company also conducts annual customers' satisfaction survey on the focus customers of various products in terms of 5 aspects, procurement, quality, R&D, product development, customers' services, to collect the review and suggestions on the products from customers. After the survey is completed, the Company will organize the information for review and submit the report to the internal management meeting for review. Senior management will decide on whether to adjust directions on the Company's business strategies and then each responsible unit will promote various improvement plans.	No major discrepancy
6. Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		1. When conducting surveys on new suppliers, the supply chain management division will be responsible for reviewing the candidate of suppliers regarding business services, quality system, R&D capability, manufacturing, environment management and labor rights and ethics and integrity and producing survey report on potential suppliers (outsourcers), guarantee on prohibition of certain environment-related substances, supplier / outsourcer 's commitment to social environmental responsibility, quality assurance contract, procurement contract, confidentiality agreement, etc. If the review results satisfied the standard, then they can be listed in the list of qualified suppliers. 2. In terms of quality, the Company adopted measures, "seasonal evaluation" and "annual audit and guidance", on the suppliers' performance evaluation. In "seasonal evaluation", the Company	No major discrepancy

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			gives grades to suppliers. The Company will conduct guidance on suppliers with poor grades for them to improve. The improvements will serve as the selection basis for subsequent collaboration. The Company will also continue to enhance its risk evaluation and management. In "annual audit and guidance", the Company conducts onsite audit on key suppliers. In addition to reviewing the operating procedure for routine production, the execution of changes to engineering, procedures handing abnormal products, the Company also confirms the improvements in safety production items and faults in seasonal review. 3. The Company conducts environment health and safety evaluation on the major suppliers and waste handling companies each year as follows: a. Auditing suppliers: The Company conducted review and focus audit in accordance with "Audit sheet for the environment safety risks of suppliers and outsourcers". If major faults were discovered during the audit procedure, such as appropriate fire prevention alarm/fire distinguishers were not established or relevant certificate for environment protection was not acquired in accordance with the regulations, then this will affect the business collaboration relationship. The Company did not discover major faults in 2019 audit results. b. Auditing the waste treatment companies: The Company arranged audit in the factory in accordance with "Audit sheet for the waste cleaning companies". The Company did not discover major faults in 2019 audit results. However, there are in total 6 cases required improvement. The Company has tracked the handling companies to complete the improvement. c. Management on the construction safety of contractors: The policy for health and safety management on contractors was applied in quotation stage, before construction and during construction to ensure the reduction of occupational disasters.	
(V) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		V	The structure of the Corporate Social Responsibility Report is in accordance with the core options in GRI STANDARDS. In addition, the Company designed complete index sheet so that the stakeholders can review easily. The contents in the Corporate Social Responsibility Report are confirmed by internal chief officers of the Company. The Company did not acquire assurance from a third party verification unit.	No major discrepancy
(VI) Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
Listed Companies: The Company has established Corporate Social Responsibility Best Practice Principles and complied to the principles to fulfill corporate social responsibilities.				
(VII) Other useful information for explaining the status of corporate social responsibility practices: Several corporate social responsibility activities were listed as follows: One Acre Field Plan to Support Local Agriculture Starting from 2008, the Company has participated in subscribing rice fields of high-quality farmers across Taiwan held by BenQ AU Foundation. The Company hope to enable the sustainable management of rice fields in the beautiful island, Taiwan, through this method. The Company also offers the employees to buy the organic agricultural products produced by local farmers and donates all the subscription amount to local public welfare organizations. Together We Read and Achieve Our Dreams The Company has launched "Together We Read and Achieve Our Dreams" since 2013. Up to today, the Company has called out colleagues to donate and sponsor Huayuan Elementary School Zhulin Branch Campus, Meihua Elementary School, Xiuluan Elementary School, Jinping Elementary School, Xinle Elementary School, Shilei Elementary School, Emei Elementary School, Wufeng Elementary School in Hsinchu County to reconstruct the libraries, renovate the learning space and build bright and cozy reading environment so that the children can enjoy reading and grow happily in the comfortable environment. Lextar electronics has focused on the demands of rural and minority school and improved the learning environment of rural junior high schools and elementary schools to cultivate future national talents to contribute to the society. LED: Small Magicians' Camp "LED: Small Magicians' Camp" held since 2014 have invited children from several rural elementary schools, Christian Children's Fund and Boyo Social Welfare Foundation to Lextar to experience a day of LED activities, including basic knowledge on LED illumination, life education on eco-friendly and energy-saving, experience in wearing clean-room cloth as a small engineer, lighting up LED in-person and teamwork games. The team leaders of the camp and magic teachers are all employees of Lextar who are willing to serve as volunteers for a day in this activity. The teaching materials are also specially designed by our employees for children. The Company hope to introduce the LED light source which exist everywhere in our life to the children while teaching eco-friendly and energy-saving knowledge.				

7.Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(I) Establishment of ethical corporate management policies and programs				
1. Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate	V		Honest and integrity are the important core values in our business operations. Sticking to integrity is our responsibilities to shareholders, customers, suppliers, business partners and colleagues. We treated our suppliers as important collaboration partners and hope to create win-win partnership with them and pursue corporate sustainable business and growth jointly. The Company has disclosed the ethical management policy on the Company's website (http://Lextar.com) as well as signing "Commitment on Honest Trading and Confidentiality" with the	No major discrepancy

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?			suppliers. In addition, the Company also established "The Codes of Ethical Conduct of Directors and Managerial Officers", "Ethical Corporate Management Best Practice Principles" and "Integrity Manual" for all employees to comply.	
2. (2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company clearly established guidelines for conflict of interests, law compliance, business secrets and Company's assets and participation in political activities in "Integrity Manual". The Company has established Whistleblowing System for Violation Against Code of Ethical Conduct and provided whistleblowing channels for internal or external stakeholders (such as suppliers, consumers, customers, employees and shareholders, etc.) and established dedicated unit to be responsible for handling the compliant cases. In accordance with the severity of the scenario, the Company shall apply penalty according to Procedures Governing Employees' Reward/Penalty.	No major discrepancy
3. Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		The Company has clearly established that employees may not directly or indirectly receive vendors' invite to banquets, gifts or other entertainment activities in "Code of Conduct", "Integrity Manual" and "Procedures Governing Employees' Reward/Penalty". The Company also established Whistleblowing System for Violation Against Code of Ethical Conduct to provide internal and external stakeholders with whistleblowing channels to prevent defects.	No major discrepancy
(II) Fulfill operations integrity policy				
1. Does the company evaluate business partners' ethical records and include ethics-related clauses	V		The Company and its subsidiaries faced the customers, suppliers, dealers, competitors and employees with fair attitude and do not allow competitive advantage brought by unethical actions. The Company has established "Commitment to Honest Trading and Confidentiality", which includes the compliance to	No major discrepancy

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
in business contracts?			ethical management, confidentiality for business or technologies. If the counterparties are involved in unethical actions, the Company may terminate all transactions, cancel the qualification of suppliers and ask for compensation to damages at all times.	
2. Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		To improve the management of ethical practices, human resource unit is responsible for developing, supervising and implementing ethical management policy and prevention programs and shall report the board of directors at least once a year about the implementations of ethical management.	No major discrepancy
3. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		Employees: The Company has established the policy for preventing conflict of interest in the "Integrity Manual". All colleagues have the obligations to avoid potential conflict of interest between person and the company. and shall take the standing point for greatest benefit of the Company when developing decisions or conducting any actions. Employees can inquire more information from their affiliated managerial officers and human resource unit. The Company also established smooth communication channels: including email to general managers, email for employees' opinions, etc. to assist our colleagues to respond and solve problems. Directors: Article 9 of the Regulations Governing Procedure for Board of Directors Meetings states the conflict of interest system for directors – directors shall hold high self-discipline. When the interest parties involving in the proposals are themselves or the juristic person they represented, they shall explain the important contents of their interest relations in the board of directors' meeting. If this is harmful to the Company's interests, then they may state the opinions and reply to the questions, however, they may not participate in the discussion and voting period. They shall also recuse themselves during the discussion and voting period and may not act on other directors' behalf to exercise voting rights. The meeting preparation unit shall remind the directors to pay attention to whether there are proposal required to avoid conflict of interest when sending out the meeting materials.	No major discrepancy
4. Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does	V		Internal audit unit conducts evaluations on effective risks of internal control system according to the transaction type, possibility of fraud and corruption at each operation sites each year and proposes the annual audit plan and submits to the board of directors. It will implement it accordingly after receiving approval from the board. It will also report the audit results to the board of directors and audit committee regularly.	No major discrepancy

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?				
5. Does the company regularly hold internal and external educational trainings on operational integrity?	V		The Company conducted ethics, honesty and integrity promotion training (New Comer Orientation, 1 hour) each month for new comers in 2019. There are up to 120 people attended the course. In Dec. 2019, the Company opened up online courses for "Promotion on Ethical Principles" for employees, which is participated by 110 people. In addition, to implement the policy for prohibitions on employees disclosing internal information, the Company adopted internal announcement platform in Aug. 2019 to conduct promotion on cases of protecting business secrets and implement the online training course, "Protecting Business Secrets" for all employees in September with completion rate of 100%.	No major discrepancy
(III) Operation of the integrity channel				
1. Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has established "Whistleblowing Channels and Protection Systems" and smooth communication channels, including email to general managers, email for illegal violations and sexual harassment complaints, ethics complaints, employees' opinion mailbox, etc., and the zone of Contact Us in the Company's website (http://Lextar.com) for externals. For Whistleblowing Channels and Protection Systems, dedicated persons will handle the whistleblowing case. The Company adopted appropriate protection and confidentiality keeping measures on the whistleblower and the provided information and privacy except for additional regulations in the law. If the whistleblowing is true, the Company will strictly punished the illegal actions.	No major discrepancy
2. Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		The Company has established "Whistleblowing Channels and Protection System" to clearly stipulate relevant confidentiality system for the whistleblowing matters.	No major discrepancy
3. Does the company provide proper whistleblower protection?	V		In accordance with "Whistleblowing Channels and Protection System" of the Company, in addition to the regulations in the law, the Company has adopted appropriate protection and confidentiality keeping measures on the whistleblower and the information provided and privacy.	No major discrepancy

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(IV) Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has disclosed the content of "Ethical Corporate Management Best Practice Principles" in the Company's website (http://Lextar.com) and Market Observation Post System and disclosed the implementations of ethical management in the annual report.	No major discrepancy
(V) If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established "The Codes of Ethical Conduct of Directors and Managerial Officers", "Ethical Corporate Management Best Practice Principles" and "Integrity Manual" so that the employees, managers and directors can be aware and comply.				
(VI) Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).: 1. The Company asked the collaborated suppliers to sign the "Commitment to Honest Trading and Confidentiality", which includes the compliance to ethical management, confidentiality obligation on business or technologies; if the counterparties are involved in unethical actions, the Company may terminate all transactions, cancel the qualification of the suppliers and ask for compensation to damages at all times. 2. The Company has established "Ethical Corporate Management Best Practice Principles", which was approved by board of directors on Nov. 8, 2016 to enhance the implementation outcomes of ethical management.				

8. Corporate Governance Guidelines and Regulations

The Company has established "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "The Codes of Ethical Conduct of Directors and Managerial Officers" to enhance the performances of corporate governance. Regarding the corporate governance implementations of the Company, please refer to III. Implementation of Corporate Governance (page 16-39). Regarding "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "The Codes of Ethical Conduct of Directors and Managerial Officers" please go to the corporate's website (http://Lextar.com) for inquiry.

9. Other Important Information Regarding Corporate Governance

(A) The Company has established "Procedures for Handling Material Inside Information and Prevention against Insider Trading" and "Regulations Governing the Trading with Interest Parties, Specific Companies and Corporate Group", which are announced in internal document management center for managers and employees to check at all times. Meanwhile, the Company irregularly notify insiders on cautions to material inside information.

(B) The Company regularly arranges training courses for advanced chief officers. Please refer to the following table for the relevant courses to corporate governance that the managers and chief audit officer attended externally in 2019:

Title	Name	Date	Organizer	Course Name	Hours of Advanced Course
Chairman and Executive Officer	Feng Cheng (David) Su	2019/03/12	Taiwan Corporate Governance Association	2019 Global Risk Trend	3 hours
		2019/10/17	Taiwan Corporate Governance Association	Introduction to the Key Regulations for Fair Trade Act and the Impact of Global Antitrust Regulations on Taiwan's Enterprises	3 hours
Deputy General Manager	B.Y. Chang	2019/12/09~ 2019/12/10	Accounting Research and Development Foundation	Advanced Studies for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12 hours
Chief Audit Officer	Wendy Tseng	2019/8/23	Accounting Research and Development Foundation	The Impact of New "Labor Incident Act" on Enterprises and Audit Practices for Law Compliance	6 hours
		2019/10/04	Accounting Research and Development Foundation	Analysis on the Practical Cases of "Audit Transformation" and "Data Analysis" under Emerging Technologies	6 hours

(C) As of the end of 2019, the Company has applied over 2,200 global patents where over 1,300 are approved. In 2019, the Company obtained 47 patents around the world. The Company protects the Company's technologies and products through solid combination of intellectual properties.

Lextar Electronics have established a team for intellectual property and gradually improved the management system for intellectual properties. The Company applied systematic management, adjusted the combination of intellectual properties to go along with the Company's business plans, maintained reasonable protection costs and launched the layout of new technologies. Meanwhile, in response to the risks of intellectual properties, the Company provided necessary hedging measures to protect the Company's business freedom as well as enhancing competitive advantages

The Company continued to apply the management system of intellectual properties, combining the Company's business strategies and objectives and considering the plans of R&D and Marketing Department to implement the output, maintenance and application of intellectual properties.

10. The implementation of internal control system

(A) Internal Control System Statement::

LEXTAR ELECTRONICS CORP.

Internal Control System Statement

Date: March 10, 2020

The internal control system from January 1 to December 31, 2019, according to the result of self-assessment is thus stated as follows:

1. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and managers. The Company has established such a system with an aim to providing reasonable assurance for the achievement of the following objectives: The effectiveness and efficiency of business operation (including profitability, performance, and safe-guarding of company assets; The reliability, timeliness, transparency, and regulatory compliance of financial reporting and other related reports; and The compliance with applicable laws, regulations and rulings.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reason assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities. Each key component further contains several items. Please see "the Regulations" for the aforementioned items
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the finding of such evaluation, the Company believes that, on December 31, 2019 it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act
7. This statement was approved by the board of directors in the meetings held on March 10, 2020, with 0 of the 8 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

LEXTAR ELECTRONICS CORP.

Chairman and Executive Officer: Feng Cheng (David) Su

Signature and Stamp

(B) If the CPA was engaged to conduct a Special Audit of Internal Control System, provide its audit report: None.

11. For the most recent year or during the current year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company and its internal personnel or any sanctions imposed upon its internal personnel for violation of internal control system provisions by the Company where the sanction results could have a major impact on the shareholders' equity or securities price, principal deficiencies, and the state of any efforts to make improvements:

The Company's manager Mr. Wu violated the short-swing trade in Securities and Exchange Act. The Company have executed disgorgement in accordance with law on Dec. 2019.

12. Major Resolution of Shareholders' Meeting and Board of Directors' Meeting during the Most Recent Year and the Current Year Up to the Date of Publication of the Annual Report

(A) General Shareholders' Meeting

The Company held 2019 general shareholders' meeting on June 6, 2019 at No. 1, Gongye E. 2nd Rd., Hsinchu City (GIS HSP Convention Center). The attending shareholders to the meeting approved the following contents by resolution.

1. Elect 8 directors (including 3 independent directors)

   Election results: The elected directors are Feng Cheng (David) Su, Teng Huei (Allen) Huang, Hsuan Bin (H.B.) Chen, AU Optronics (Representative: Kuo Hsin Tsai), AU Optronics (Representative: Wei Lung Liau), Sen Tai Wen (independent directors), Yih Lian Chen (independent directors), Shian Ho Shen (independent directors).

2. To accept 2018 Business Report and Financial Statements

   Implementations: Approved by resolution.

3. To accept the proposal for the distribution of 2018 profits.

   Implementations: Established July 14, 2019 as ex-dividend date and all of them have been distributed on July 31, 2019 in accordance with the resolution made in the shareholders' meeting (cash dividend of NT$ 0.05643227 per share).

4. To approve the distribution of capital surplus by cash.

   Implementations: Established July 14, 2019 as ex-dividend date and all of them have been distributed on July 31, 2019 in accordance with the resolution made in the shareholders' meeting (cash dividend of NT$ 0.14058920 per share).

5. To approve the revisions to "Articles of Incorporation".

   Implementations: Approved by resolution. After the amendment, Articles of Incorporation will come into effect on June 6, 2019 and the Company obtained the approval for registration on June 21, 2019 from Hsinchu Science Park Bureau, MOST.

6. To approve the revisions to " Handling Procedures for Acquisition or Disposition of Assets "," Handling Procedures for Conducting Derivative Transactions ", " Handling Procedures for Capital Lending " and " Handling Procedures for Providing Endorsements and Guarantees for Third Parties ".

   Implementations: Approved by resolution.

7. To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB").

   Implementations: Approved by resolution and granted full authority to board of directors to handle the fundraising case. The board of directors decided not to continue the fundraising case during the meeting on Mar. 10, 2020 and has submitted the proposal to 2020 General Shareholders' Meeting.

8. To approve the proposal of releasing Directors and their representatives from non-competition restrictions.

   Implementations: Approved to release prohibitions of director AU Optronics, AU Optronics (Representative: Kuo Hsin Tsai), AU Optronics (Representative: Wei Lung Liau), director Hsuan Bin (H.B.) Chen, director Teng Huei (Allen) Huang, independent director Sen Tai Wen, independent director Yih Lian Chen and independent director Shian Ho Shen to work concurrently in competing companies.

(B) Board of Directors

The major resolutions made by board of directors from Jan. 1, 2019 to the date of publication of the annual report are listed as follows:

Session (Date)	Major Resolutions
4th Board 16th Meeting (2019/1/25)	◆ To approve the Capital Expenditure Budget of Lextar. ◆ To approve the Capital Expenditure Budget of Lextar(Chuzhou) Corp.. ◆ To approve the adjustment of executives and fixed salary. ◆ To approve the 2018 performance bonus of managerial officers.
4th Board 17th Meeting (2019/3/13)	◆ To approve the "Internal Control System Statement". ◆ To report the issuance of securities in private placement ◆ To approve distribution of employees' profit sharing bonus and directors' profit sharing. ◆ To approve 2018 Financial Statements, 2018 Business Report and 2019 Business Plan. ◆ To approve the proposal for appropriation of retained earnings for 2018. ◆ To approve the distribution of capital surplus by cash. ◆ To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB"). ◆ To elect eight directors (including three independent directors) ◆ To approve the date of 2019 Annual General Shareholders' Meeting, meeting agenda, and the process and review criteria for the submission period of shareholders' proposals. ◆ Discuss and approve the modifications/additions of bank credit line. ◆ To approve the replacement of the CPAs ◆ To approve the Independence Assessment of the new Certified Public Accountants.
4th Board 18th Meeting (2019/4/23)	◆ To nominate directors and independent directors candidates. ◆ To approve the proposal of releasing Directors and their representatives from non-competition restrictions. ◆ To approve the revisions to "Articles of Incorporation". ◆ To approve the revisions to " Handling Procedures for Acquisition or Disposition of Assets "," Handling Procedures for Conducting Derivative Transactions ", " Handling Procedures for Capital Lending " and " Handling Procedures for Providing Endorsements and Guarantees for Third Parties ". ◆ To approve the revisions to "Corporate Governance Principles". ◆ To approve the revisions to "Remuneration Committee Charter". ◆ To approve the " Standard Operational Procedures for responding from directors ".
4th Board 19th Meeting (2019/5/6)	◆ To approve the consolidated financial statements for the first quarter of 2019. ◆ To approve the record date for cancellation of Restricted Stock Awards.
5th Board 1st Meeting (2019/6/6)	◆ Elect Chairman ◆ To appoint the compensation committee members being the 4th term of compensation committee ◆ To approve the record date for cancellation of Restricted Stock Awards.
5th Board 2nd Meeting (2019/8/7)	◆ To approve the consolidated financial statements for the second quarter of 2019. ◆ Discuss and approve the modifications/additions of bank credit line. ◆ To approve the capital lending among the subsidiaries of Lextar.

Session (Date)	Major Resolutions
	◆ Proposal of 2018 employee profit sharing for managerial personnel. ◆ Proposal of 2018 director compensation.
5th Board 3rd Meeting (2019/11/5)	◆ To approve the "Annual Audit Plans of 2020". ◆ To approve the consolidated financial statements for the third quarter of 2019. ◆ To approve additional investment roadmap that Apower Optronics Corporation could directly increase capital to Lextar Electronics (Suzhou) Co., Ltd. ◆ To approve Lextar Electronics (Suzhou) Co., Ltd. to increase capital to Lextar Electronics (Chuzhou) Co., Ltd. ◆ To approve the Independence Assessment of the Certified Public Accountants.
5th Board 4th Meeting (2020/1/21)	◆ To approve the 2019 performance bonus of managerial officers.
5th Board 5th Meeting (2020/3/10)	◆ To approve the "Internal Control System Statement" ◆ To approve the "Internal Control System" and "Internal Audit Implementation Rules " ◆ To report the issuance of securities in private placement. ◆ To approve 2019 Financial Statements, 2019 Business Report and 2020 Business Plan. ◆ To approve the proposal for appropriation of retained earnings for 2019 losses. ◆ To approve the revisions to "Articles of Incorporation" ◆ To approve the revisions to "Lextar Rules and Procedures for Shareholders' Meeting". ◆ To approve issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB") ◆ To approve the proposal of releasing Directors and their representatives from non-competition restrictions. ◆ To approve the date of 2020 Annual General Shareholders' Meeting, meeting agenda, and the process criteria for the 2020 submission period of shareholder s' proposals. ◆ Discuss and approve the modifications/additions of bank credit line. ◆ To approve the revisions to "Regulations Governing Procedure for Board of Directors Meetings". ◆ To approve the proposal of releasing managerial officers from positions concurrently and non-competition restrictions.

13. **Where, during the most recent year or during the current year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a resolution approved by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:** None.

14. **A summary of resignations and dismissals, during the most recent year or during the current year up to the date of publication of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor and principal R&D officer:** None.

15. **Situation of personnel related to financial information transparency obtaining relevant certificates designated by the competent authority**

Name of the Department	Auditing Office
Name of the certificate and number of people	Certified Internal Auditor; 1 person

IV. Information on CPA Professional Fees

1. Information on CPA Professional Fees

Unit: NT$1,000

CPA Firm	Name of Accountant	Audit Fee	Non-audit Fee					Audit Period	Remarks
			System of Design	Company Registration	Human Resources	Others	Subtotal		
KPMG International	Cheng Chien Chen Sheng Ho Yu	5,060	-	-	-	-	-	2019.01.01~ 2019.12.31	"Others" in non-audit fee: None.

2. **If the non-audit fee paid to CPA, the accounting firm of the CPA and its affiliates is more than one-fourth of the audit fee, the amount and contents of the audit fee and non-audit fee shall be disclosed:** Not Applicable.

3. **If the audit fee is reduced compared with the previous year after the change of the accounting firm and the change of audit fee, the amount of audit fees and reason(s) before and after the change shall therefore be disclosed:** Not Applicable.

4. **If the audit fee is reduced by over 15% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) shall therefore be disclosed:** Not Applicable.

V. Information on Replacement of Certified Public Accountants

1. Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">March 13, 2019</td></tr>
<tr><td>Replacement Reasons and Explanations</td><td colspan="4">Internal adjustment of the accounting firm; replacing accountant Yung Hua Huang to accountant Sheng Ho Yu</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td></td><td></td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>v</td><td></td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="7">Differences with the Company</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanations</td></tr>
<tr><td>Other Revealed Matters (Those listed Article 10, Paragraph 6, Subparagraph 6, Item 1-4 to 1-7 of the Principle who shall disclose the matter)</td><td colspan="4">Not applicable</td></tr>
</table>

2. Regarding the successor CPA

Name of the accounting firm	KPMG International
Name of CPA	Accountant Sheng Ho Yu
Date of Appointment	March 13, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

3. The replied letter for the matters listed in Article 10, Paragraph 6, Item 1 and 2-3 of the Principle from the former CPA: Not applicable.

VI. Information on Service of the Company's Chairman, General Managers, and Financial or Accounting Managers at the Accountant Firm or its Affiliates in the Most Recent Year: None.

VII. Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers, or Shareholders with A Stake of More Than 10 Percent during the Most Recent Year and during the Current Year up to the Date of Publication of the Annual Report

1. Directors, managers or major shareholders in the Company

Unit: 1,000 shares

Title	Name	2019		Jan. 1, 2020 to Apr. 11, 2020	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman and Executive Officer	Feng Cheng (David) Su	180	0	0	0
Director and Shareholders' with over 10% shareholdings	AU Optronics Corp.	0	0	0	0
Representative of Institutional Director	Tien Yu Lin	0	0	0	0
Representative of Institutional Director	Wei Lung Liau	0	0	0	0
Director	Hsuan Bin (H.B.) Chen	0	0	0	0
Independent Director	Sen Tai Wen	0	0	0	0
Independent Director	Yih Lian Chen	0	0	0	0
Independent Director	Shian Ho Shen	0	0	0	0
Director / Special Assistant of Executive Officer	Teng Huei (Allen) Huang	(302.5)	0	0	0
Shareholders over 10% shareholdings	Cree International S.à r.l.	0	0	0	0
Deputy General Manager	Mong Lin	82.5	0	0	0
Deputy General Manager / Chief Financial and Accounting Officer	B.Y. Chang	90	0	0	0
Deputy General Manager	Terry Tang	97.5	0	0	0
Deputy General Manager	Louis Lu	(102)	0	(45)	0
Deputy General Manager	Mitch Lee	9	0	1	0
Deputy General Manager	C.N. Huang	45	0	0	0
Senior Associate Vice President	William Wu	(10.5)	0	0	0
Associate Vice President	Jackson Hsu	0	0	0	0
Associate Vice President	Brian Lin	(126)	0	0	0

Note 1: Refers to those who is still on-the-job up to the date of publication of the annual report.

2. Information on the counterparty of the equity transfer who are interested parties:

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Share	Transaction Price
Teng Huei (Allen) Huang	Disposal (Gift)	2019/9/24	Family member within 2nd degree of kinship to the director, Teng Huei (Allen) Huang		400,000 shares	Not applicable

3. Information on the counterparty of the equity pledge who are interested parties:

None.

VIII. Information on the Relationship between any of the Top Ten Shareholders, such as Related Party, Spouse, or Kinship within the Second Degree

Unit; 1,000 shares

Name	Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the Name of others		Relationships among the Top Ten Shareholders, anyone who is a Related Party, Spouse, or Second-degree Kinship of another: Name and Relation		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
Cree International S.à r.l.	83,000	15.98%	NA	NA	NA	NA	NA	NA	-
Cree International S.à r.l.Representative: Micheal E. McDevitt、Charles Meyer	0	0%	NA	NA	NA	NA	NA	NA	-
AU Optronics Corp.	78,418	15.10%	NA	NA	NA	NA	Konly, Ronly	Konly and Ronly are the subsidiaries of AU	-
AU Optronics Corp. Responsible Person: Shuang Lang Peng	0	0%	NA	NA	NA	NA	Konly, Ronly	Shuang Lang Peng is the chairman of the Company	-
Ronly Venture Corp.	34,338	6.61%	NA	NA	NA	NA	AU, Konly	Konly and Ronly are the subsidiaries of AU	-
Ronly Venture Corp. Responsible Person: Shuang Lang Peng	0	0%	NA	NA	NA	NA	AU, Konly	Shuang Lang Peng is the chairman of the Company	-
Konly Venture Corp.	26,133	5.03%	NA	NA	NA	NA	AU, Ronly	Konly and Ronly are the subsidiaries of AU	-
Konly Venture Corp. Responsible Person: Shuang Lang Peng	0	0%	NA	NA	NA	NA	AU, Ronly	Shuang Lang Peng is the chairman of the Company	-
Norges Bank-fund mgr Keywise Capital Management (H K) Limited	11,289	2.17%	NA	NA	NA	NA	NA	NA	
China Electric Mfg Corporation	10,711	2.06%	NA	NA	NA	NA	NA	NA	-
China Electric Mfg Corporation Responsible Person: Li Chen Chou	0	0%	NA	NA	NA	NA	NA	NA	-
Wan Ting Tseng	8,986	1.73%	NA	NA	NA	NA	NA	NA	-
New Labor Pension Fund	6,551	1.26%	NA	NA	NA	NA	NA	NA	-

Name	Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the Name of others		Relationships among the Top Ten Shareholders, anyone who is a Related Party, Spouse, or Second-degree Kinship of another: Name and Relation		Remark
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relation	
CTBC Bank Co., Ltd. in custody for LEXTAR ELECTRONICS CORP.; limited stock trust account with employees having voting rights and dividend distribution rights	6,070	1.17%	NA	NA	NA	NA	NA	NA	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	5,687	1.10%	NA	NA	NA	NA	NA	NA	-

Note: The information recorded in shareholders' roster as of the most recent book closure date (April 11, 2020).

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

Up to Dec. 31, 2019; Unit:1,000 shares

Investment business	Investment by the Company		Investment by Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Investment	
	Shares	%	Shares	%	Shares	%
Lextar (Singapore) Pte.Ltd.	90,270	100%	0	0%	90,270	100%
Liang Li Venture Corp.	3,000	100%	0	0%	3,000	100%
Wellypower Optronics Corp	5,153	100%	0	0%	5,153	100%
Apower Optronics Corp	31,600	100%	0	0%	31,600	100%
Wellybond Corporation	40,000	100%	0	0%	40,000	100%
Wellybond Optronics (H.K.) Limited	63,000	100%	0	0%	63,000	100%
Trendylite Corporation	2,407	90.50%	0	0%	2,407	90.50%
First Vertical Laser Inc.	5,699	23.10%	7,829	31.73%	13,528	54.83%
HEXAWAVE INC.	12,716	31.69%	12,715	31.68%	25,431	63.37%

Capital Overview

I. Capital and Shares

1. Source of Capital Stock

Up to April 11, 2020
Unit: 1,000 shares; NT$1,000

Year/month	Per Value	Authorized Capital Stock		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
2008/05	10	150,000	1,500,000	150,000	1,500,000	Fundraising for establishment	NA	Yuan Shang Tzu No. 0970014066 on May 23, 2008
2009/02	10	300,000	3,000,000	200,000	2,000,000	Capital increase by cash	NA	Yuan Shang Tzu No. 0980006115 on Mar. 12, 2009
2009/10	15	300,000	3,000,000	225,000	2,250,000	Capital increase by cash	NA	Yuan Shang Tzu No. 0980028612 on Oct. 14, 2009
2010/03	20	300,000	3,000,000	250,000	2,500,000	Private placement of common stock	NA	Yuan Shang Tzu No. 0990004889 on Mar. 01, 2000
2010/03	10	500,000	5,000,000	315,491	3,154,910	Merged with LightHouse	NA	Yuan Shang Tzu No. 0990007938 on Mar. 23, 2010
2010/05	50	500,000	5,000,000	370,491	3,704,910	Capital increase by cash	NA	Yuan Shang Tzu No. 0990015181 on May 27, 2010
2010/11	10	500,000	5,000,000	370,689	3,706,885	Employee Stock Warrant	NA	Yuan Shang Tzu No. 0990033161 on Nov. 9, 2010
2011/2	10	500,000	5,000,000	372,734	3,727,338	Employee Stock Warrant	NA	Yuan Shang Tzu No. 1000004872 Feb. 22, 2011
2011/6	10	500,000	5,000,000	396,596	3,965,960	Capital Increase by Earnings	NA	Yuan Shang Tzu No. 1000017406 on Jun. 20, 2011
2011/10	17	500,000	5,000,000	419,096	4,190,960	First being listed Capital Increase by Cash	NA	Yuan Shang Tzu No. 1000029746 on Oct. 6, 2011
2011/11	10	500,000	5,000,000	419,169	4,191,695	Employee Stock Warrant	NA	Yuan Shang Tzu No. 1000032895 on Nov. 8, 2011
2012/2	10	500,000	5,000,000	419,199	4,191,995	Employee Stock Warrant	NA	Yuan Shang Tzu No. 1010005193 on Feb. 24, 2012
2012/3	10	700,000	7,000,000	419,199	4,191,995	- (Enhance Approved Capital)	NA	Yuan Shang Tzu No. 1010008715 on Mar. 23, 2012
2012/5	10	700,000	7,000,000	419,440	4,194,403	Employee Stock Warrant	NA	Yuan Shang Tzu No. 1010013198 on May 8, 2012
2012/8	10	700,000	7,000,000	419,468	4,194,675	Employee Stock Warrant	NA	Yuan Shang Tzu No. 1010026070 on Aug. 23, 2012
2012/11	10	700,000	7,000,000	430,472	4,304,724	Employee Stock Warrant, Convertible Corporate Bonds	NA	Yuan Shang Tzu No. 1010036149 on Nov. 20, 2012
2013/2	10	700,000	7,000,000	430,534	4,305,339	Employee Stock Warrant, Convertible Corporate Bonds	NA	Yuan Shang Tzu No. 1020004092 on Feb. 5, 2013
2013/2	10	700,000	7,000,000	501,016	5,010,158	Merged with Wellypower	NA	Yuan Shang Tzu No. 1020006031 on Feb. 25, 2013
2013/5	10	700,000	7,000,000	522,469	5,224,693	Employee Stock Warrant,	NA	Yuan Shang Tzu No.

Year/month	Per Value	Authorized Capital Stock		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
						Convertible Corporate Bonds		1020013596 on May 13, 2013
2013/8	10	700,000	7,000,000	532,155	5,321,549	Employee Stock Warrant, Convertible Corporate Bonds, Cancellation of New Restricted Employee Shares	NA	Yuan Shang Tzu No. 1020023931 on Aug. 12, 2013
2013/11	10	700,000	7,000,000	532,201	5,322,010	Employee Stock Warrant, Convertible Corporate Bonds	NA	Yuan Shang Tzu No. 1020034506 on Nov. 13, 2013
2014/3	10	700,000	7,000,000	532,419	5,324,188	Same as the above	NA	Chu Shang Tzu No. 1030007585 on Mar. 18, 2014
2014/5	10	700,000	7,000,000	537,716	5,377,163	Same as the above	NA	Chu Shang Tzu No. 1030014322 on May 21, 2014
2014/6	10	700,000	7,000,000	539,916	5,399,163	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1030018152 on Jun. 20, 2014
2014/8	10	700,000	7,000,000	540,006	5,400,065	Employee Stock Warrant, Convertible Corporate Bonds, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1030024235 on Aug. 20, 2014
2014/11	10	700,000	7,000,000	539,830	5,398,300	Same as the above	NA	Chu Shang Tzu No. 1030033110 on Nov. 14, 2014
2014/12	30	700,000	7,000,000	622,830	6,228,300	Private Placement of Common Stock	NA	Chu Shang Tzu No. 1030036785 on Dec. 9, 2014
2015/3	10	700,000	7,000,000	622,826	6,228,265	Employee Stock Warrant, Convertible Corporate Bonds, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1040007427 on Mar. 19, 2015
2015/5	10	700,000	7,000,000	623,109	6,231,095	Same as the above	NA	Chu Shang Tzu No. 1040014920 on May 28, 2015
2015/8	10	700,000	7,000,000	622,867	6,228,675	Employee Stock Warrant, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1040023940 on Aug. 18, 2015
2015/11	10	700,000	7,000,000	602,572	6,025,722	Employee Stock Warrant, Cancellation of New Restricted Employee Shares, Treasury Stock	NA	Chu Shang Tzu No. 1040034612 on Nov. 30, 2015
2016/3	10	700,000	7,000,000	582,574	5,825,743	Employee Stock Warrant, Cancellation of New Restricted Employee Shares, Treasury Stock	NA	Chu Shang Tzu No. 1050007393 on Mar. 23, 2016
2016/5	10	700,000	7,000,000	582,643	5,826,433	Employee Stock Warrant, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1050013463 on May 20, 2016
2016/8	10	700,000	7,000,000	562,502	5,625,022	Employee Stock Warrant, Cancellation of Treasury Stock	NA	Chu Shang Tzu No. 1050023042 on Aug. 18, 2016
2016/11	10	700,000	7,000,000	562,342	5,623,423	Employee Stock Warrant, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1050031927 on Nov. 16, 2016
2017/3	10	700,000	7,000,000	542,342	5,423,423	Cancellation of Treasury Stock	NA	Chu Shang Tzu No. 1060007062 on Mar. 17,

Year/month	Per Value	Authorized Capital Stock		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Others
								2017
2017/3	10	700,000	7,000,000	547,042	5,470,423	New Restricted Employee Shares	NA	Chu Shang Tzu No. 1060008522 on Mar. 31, 2017
2017/6	10	700,000	7,000,000	512,327	5,123,275	Employee Stock Warrant, Cancellation of New Restricted Employee Shares, Treasury Stock	NA	Chu Shang Tzu No. 1060014555 on Jun. 2, 2017
2017/8	10	700,000	7,000,000	512,307	5,123,075	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1060023322 on Aug. 24, 2017
2017/11	10	700,000	7,000,000	512,271	5,122,711	Employee Stock Warrant, Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1060031706 on Nov. 20, 2017
2018/3	10	700,000	7,000,000	512,371	5,123,713	Employee Stock Warrant	NA	Chu Shang Tzu No. 1070009169 on Mar. 26, 2018
2018/5	10	700,000	7,000,000	511,696	5,116,964	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1070014073 on May 11, 2018
2018/8	10	700,000	7,000,000	511,651	5,116,514	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1070024495 on Aug. 21, 2018
2019/4	10	700,000	7,000,000	520,151	5,201,514	New Restricted Employee Shares	NA	Chu Shang Tzu No. 1080009206 on Apr. 2, 2019
2019/5	10	700,000	7,000,000	519,431	5,194,314	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1080014073 on May 17, 2019
2019/6	10	700,000	7,000,000	519,386	5,193,864	Cancellation of New Restricted Employee Shares	NA	Chu Shang Tzu No. 1080017815 on Jun. 21, 2019

Note: The Company approved to enhance the rated capital to NT$9,000,000,000 during the 1st temporal shareholders' meeting in 2014. However, Hsinchu Science Park Bureau, MOST did not register temporarily in accordance with the regulations.

2.Shares Type

Up to April 11, 2020；Unit: 1,000 Shares

Shares Type	Authorized Shares			Note
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	519,386	180,614	700,000	

Note: Except for 83,000 thousand ordinary shares that are private equity, the remaining shares are listed on the Taiwan Stock Exchange.

3.Shareholder structure

Unit: Shares；Persons；%

Shareholder structure / Quantity	Government institutions	Financial institutions	Other corporations	Individual	Foreign institutions and foreigners	Subtotal
Number of persons	4	15	48	27,434	76	27,577
Number of shares held	12,304,000	13,421,448	158,914,077	206,895,799	127,851,056	519,386,380
Shareholding Percentage (%)	2.37	2.58	30.60	39.83	24.62	100

Note: The information recorded in shareholders' roster as of the most recent book closure date (April 11, 2020).

4. Shareholding Distribution Status

Unit: shares; person; %

Class of Shareholding	Number of Shareholders	Shareholding	Ratio
1 ~ 999	4,579	1,399,681	0.27
1,000 ~ 5,000	16,656	37,722,122	7.26
5,001 ~ 10,000	3,244	26,838,696	5.17
10,001 ~ 15,000	898	11,690,665	2.25
15,001 ~ 20,000	740	13,935,921	2.68
20,001 ~ 30,000	534	13,950,088	2.69
30,001 ~ 40,000	227	8,236,655	1.59
40,001 ~ 50,000	187	8,779,411	1.69
50,001 ~ 100,000	294	21,732,984	4.18
100,001 ~ 200,000	106	15,281,988	2.94
200,001 ~ 400,000	46	12,742,819	2.45
400,001 ~ 600,000	21	10,067,310	1.94
600,001 ~ 800,000	7	4,579,904	0.88
800,001 ~ 1,000,000	3	2,642,529	0.51
Over 1,000,001	35	329,785,607	63.50
Total	27,577	519,386,380	100

Note: The information recorded in shareholders' roster as of the most recent book closure date (April 11, 2020).

5. List of Major Shareholders

Unit: shares; %

Shares / Name of Major Shareholders	Shareholding	Ratio (%)
Cree International S.à r.l	83,000,000	15.98%
AU Optronics Corp.	78,418,450	15.10%
Ronly Venture Corp.	34,338,365	6.61%
Konly Venture Corp.	26,132,665	5.03%
Norges Bank-fund mgr Keywise Capital Management (H K) Limited	11,289,400	2.17%
China Electric Mfg Corporation	10,711,240	2.06%
Wan Ting Tseng	8,986,000	1.73%
New Labor Pension Fund	6,551,000	1.26%
CTBC Bank Co., Ltd. in custody for LEXTAR ELECTRONICS CORP.; limited stock trust account with employees having voting rights and dividend distribution rights	6,070,000	1.17%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund , a series of Vanguard Star Funds	5,687,368	1.10%

Note: The information recorded in shareholders' roster as of the most recent book closure date (April 11, 2020).

6. Market Price per Share, Net Worth per Share, Earnings per Share, Dividends per Share and Relevant Information during the Two Most Recent Years

Unit: 1,000 shares; NT$

Item			2018	2019	As of Apr. 11, 2020
Market Price Per Share	Highest Market Price		27.40	19.90	12.65
	Lowest Market Price		15.85	13.40	11.60
	Average Market Price		19.59	16.60	12.13
Net Worth Per Share	Before Distribution		22.19	20.95	註 1
	After Distribution		21.66	註 2	-
Earnings Per Share (EPS)	Weighted Average Shares		508,146	508,794	519,386
	EPS	Before retrospective	0.10	(0.61)	-
		After retrospective	-	Note2	-
Dividends Per Share	Cash dividends		0.20	Note2	-
	Stock Dividends	Share Dividend	-	Note2	-
		Capital Surplus stock dividend		Note2	-
	Accumulated Undistributed Dividend		-	-	-
Return On Investment	Price/ Earnings Ratio		195.90	(27.21)	-
	Price/Dividend Ratio		97.95	Note2	-
	Cash Dividend Yield Rate		0.01	Note2	-

Note 1: The financial statements have not been audited or reviewed by CPA.

Note 2: Subject to change after shareholders' meeting resolution.

7. Dividend Policy and Implementation Status

(A) Dividend policy stipulated in Articles of Incorporation

After making the final settlement of account, the Company shall first allocate the net profit, if any, to pay for taxes and cover losses for the preceding years, set aside 10% of the remaining profit as legal reserve, except when the legal reserve reached total capital, and then set aside or reversing special reserve in accordance with the regulations of the competent authorities. If there is any residual amount after deducing the amounts stated above, together with accumulated unappropriated retained earnings in the beginning, the Company may propose earnings distribution plan to distribute it. Distribution of the whole or a part of dividends and bonus should be done by issuing new stock and approved during shareholders' meeting by resolution; If distributed by cash, this shall be submitted to the board of directors' meeting for resolution and reported to the shareholders' meeting.

The Company's dividend policy is "Residual Dividend Policy" such as the Company's current and future investment environment, cash requirements, competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. If the retained earnings available for distribution of the current year reaches 2% of the paid in capital of the Company, no less than 20% of the retained earnings available for distribution of the current year shall be distributed as dividend. If the retained earnings available for distribution of the current year does not reach 2% of the paid in capital of the Company, the Company may distribute no dividend. No less than 10% of the total dividend to be paid with respect to any fiscal year shall be paid in the form of cash.

(B) Situation of the dividend distribution proposed to the shareholders' meeting

The Company decided not to distribute dividend during the board of directors' meeting on March 10, 2020.

(C) Is it expected that the dividend policy will have major changes: It is expected that there will be no major changes.

8. Effect upon Business Performance and Earnings per Share of any Stock Dividend Distribution Proposed or Adopted at the Most recent Shareholders' Meeting

In accordance with "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to publicly announce the information on financial predictions. Hence, this is not applicable.

9. Employees' and Directors' Remuneration

(A) Amount or range for the employees' and directors' remuneration stipulated on Articles of Incorporation

In accordance with the provisions in the Articles of Incorporation, if the Company has profits in the fiscal year, the Company shall allocate 5%~20% of the profit for distribution to employees as remuneration and no more than 1% of the profit for distribution to directors as remuneration. However, if the Company had cumulative loss, then the Company shall first reserve the compensation amount.

The object for issuance of employees' remuneration in the preceding paragraph in the form of stock or cash may include employees of an affiliated company meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method.

(B) Estimation basis for employees' and directors' remuneration, calculation basis for distributing employees' remuneration by stock and the accounting handlings if there is any discrepancy between the actual distribution amount and the estimated amount

Employees' remuneration was estimated by a certain amount of the basis calculated by subtracting the profit (i.e. profit before tax deducting the profit before distributing employees' and directors' remuneration) in the current with the cumulative loss. In addition, the directors' remuneration will be estimated in the book according to the expected distribution amount and listed as operating costs or expenses. Where employees' remuneration is distributed in the form of stock, the number of distributed shares shall be calculated by the closing price of the common stock in accordance with the resolution during the board of directors' meeting. If there is any changes after the date of publication of the financial statement next year, then handle it in accordance with the accounting estimation for the changes and recognize the impact of such changes as the profit and loss of next year.

(C) Information on the distributed remuneration approved by board of directors' meeting

(1) Employees' and directors' remuneration distributed in the form of cash or stock. If there is discrepancy between this amount and the recognized expenses in the annual estimation amount, state the difference amount, reasons and handlings of the situation: In 2019, the Company had net loss before tax and decided not to distribute. Hence, this is not applicable.

(2) Employees' remuneration distributed in the form of stock and ratio accounting the sum of net profit after tax and employees' remuneration in the individual financial statement: Not applicable.

(D) If there is discrepancy between the actual distribution situation of the employees' and directors' remuneration during the preceding year (including the distributed shares, amount and stock price) and its recognized employees' and directors' remuneration, state the difference amount, reasons and handlings of the situation:

Item	Amount
Employees' remuneration	NT$10,497,895
Directors' remuneration	NT$699,860

No differences between the actual amount and the recognized amount

10. Buying Back of Company's Shares: None.

II. Implementations of Corporate Bonds

1. Corporate Bonds

<table>
<tr><td colspan="2">Corporate Bond</td><td>2nd domestic unsecured convertible corporate bonds (Note)</td></tr>
<tr><td colspan="2">Date of Issue</td><td>Jan. 9, 2014</td></tr>
<tr><td colspan="2">Face Value</td><td>NT$ 100,000</td></tr>
<tr><td colspan="2">Location of Issuance</td><td>Republic of China</td></tr>
<tr><td colspan="2">Issued Price</td><td>Issue by denomination</td></tr>
<tr><td colspan="2">Issued Amount</td><td>NT$ 2,000,000,000</td></tr>
<tr><td colspan="2">Interest Rate</td><td>Coupon rate 0%</td></tr>
<tr><td colspan="2">Period</td><td>5 years Due date: Jan. 9, 2019</td></tr>
<tr><td colspan="2">Guarantee Institution</td><td>Not applicable</td></tr>
<tr><td colspan="2">Commissioned Party</td><td>Taishin International Bank</td></tr>
<tr><td colspan="2">Underwriting Institution</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified Attorney</td><td>Handsome Attorneys-at-Law Ya Wen Chiu</td></tr>
<tr><td colspan="2">CPA</td><td>KPMG International
Accountants, Cheng Chien Chen and Yung Hua Huang</td></tr>
<tr><td colspan="2">Repayment Method</td><td>Repay the principal in cash when due except those converted to common stock in accordance with Article 10 of the Regulations for Issuance and Conversion of Unsecured Corporate Bonds, or those redeemed in advance by the Company in accordance with Article 18, or those sold in advance by the Company asked by the creditors in accordance Article 19.</td></tr>
<tr><td colspan="2">Outstanding Principal</td><td>0</td></tr>
<tr><td colspan="2">The Terms of Redemption or Prepayment</td><td>Convert to common stock in accordance with Article 10 of the Regulations for Issuance and Conversion of Unsecured Corporate Bonds, or redeem in advance by the Company in accordance with Article 18, or sell in advance by the Company asked by the creditors in accordance Article 19.</td></tr>
<tr><td colspan="2">Restriction Cause</td><td>None</td></tr>
<tr><td colspan="2">The Credit Rating Institution’s Name, Date of Rating, and Corporate Bond Rating Results</td><td>Not applicable</td></tr>
<tr><td rowspan="2">Other Rights Attached</td><td>Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities up to the April 11, 2020</td><td>Not applicable; 2nd domestic unsecured convertible corporate bonds were due on Jan. 9, 2019.</td></tr>
<tr><td>Issuance and Conversion (Exchange or Subscription) Method</td><td>Beginning after one month following the bond issuance date and continuing until 10 days before the expiration date, the creditors may notify Taiwan Depository & Clearing Corporation through trading broker to request the agent for stock affairs of the Company for conversion of the held convertible bonds to common stocks of the Company at any time in accordance with the Regulations for Conversion, except during the period in which transfer is suspended by laws.</td></tr>
</table>

Issuance and Conversion, Exchange or Subscription Methods, and the Condition of Issuance that may Dilute Share Equity and Affect Equity Rights for the Existing Shareholders	Not applicable; 2nd domestic unsecured convertible corporate bonds were due on Jan. 9, 2019.
Name of the Commissioned Custodian Institution for the Exchange Bid	None

2. Convertible corporate bond information

Unit: NT$

Types of Corporate Bonds		2nd domestic unsecured convertible corporate bonds (Note)	
Year / Item		2018	2019 up to Jan. 9, 2020
Market price of the convertible bond	Highest	113.1	0
	Lowest	98.9	0
	Average	100.31	0
Convertible Price		NT$ 28.91	
Issuance Date and Conversion Price at Issuance		Jan. 9, 2014 NT$33.00	
Method of Conversion		Issuing of new shares	

Note: 2nd domestic unsecured convertible corporate bonds were due on Jan. 9, 2019.

3. Information on Exchangeable Corporate Bonds: None.

4. Summary of Declaring the Issuance of Corporate Bonds: None.

5. Information on Corporate Bonds with Warrants: None.

III. Preferred Shares: None.

IV. Issuance of Global Depositary Receipt (GDR): None.

V. Employee Stock Options

1. **The Company had no employee stock options within their due date up to the date of publication of the annual report and the impact on the shareholders' equity:** None.
2. **List of managers receiving employee stock options and the top ten employees with employee stock options up to the date of publication of the annual report:** All the employee stock options were due.

VI. New Restricted Employee Shares

1. New Restricted Employee Shares that have not fully met vesting conditions

Apr. 11, 2020

Type of New Restricted Employee Shares	2016 New Restricted Employee Shares	
Date of Effective Registration	Approval for the issuance of 5,000,000 shares on Dec. 12, 2016	
Issue date	Mar. 20, 2017	May 12, 2017
Number of New Restricted Employee Shares Issued	4,700,000 shares	300,000 shares
Issued Price	Issued Price Approved by 2016 Shareholders' Meeting NT$0 (unsecured issuance)	
New Restricted Employee Shares as a Percentage of Shares Issued	0.98%	
Vesting Conditions of New Restricted Employee Shares	Starting from a year following the date of receiving the new restricted employee shares, where the employee is still on-the-job before the vesting due date and has never violated relevant contract, obligation, rules in the Issuance Regulations, the amount of employees' vesting shares shall adopt yearly settlement. The highest ratio can be received in each year is as follows: 1 year after due: 30% 2 years after due: 30% 3 years after due: 40% However, the actual percentage of vesting shares in such year shall be multiplied with the overall business performance and employees' personal performance indicator achievement during the previous year before the due date, which are explained as follows: 1. Company's business indicators: If the Company's annual earnings per share is equal to or greater than NT$ 1, 100% of the vesting shares in such year may be distributed; if the Company's annual earnings per share is greater than or equal to NT$0 but less than NT$ 1, 50% of the vesting shares in such year may be distributed. (it refers to the earnings per share disclosed in the consolidated financial statement from the previous year of the vesting date reviewed by CPAs). 2. Personal performance: Before the due date of receiving the shares, for those with two performance values above (include) G+, 100% vesting shares may be distributed; if there is only one value above (include) G+ in the two performance values and the other value was not F, 50% vesting shares may be distributed. (Regarding the grades for evaluating employees' personal performances, please refer to the Company's Regulations for Performance Evaluation, where there are 5 grades from excellent to poor, "O, E, G+, G, F".)	
Restricted Rights of New Restricted Employee Shares	1. During the vesting period, employees may not sell, pledge, transfer, give as gifts to others, create or apply other methods of disposal of such new restricted employee shares. 2. During the vesting period, such new restricted employee shares can still participate in shares distribution, dividend distribution and capital increase by cash for subscription. 3. After the issuance of new restricted employee shares, the employee shall be handed over to trust immediately and may not request for return of new restricted employee shares with any reasons or methods to the trustee before achieving the vesting conditions.	
Custody Status of New Restricted Employee Shares	Employees may not request for return of new restricted employee shares with any reasons or methods to the trustee before achieving the vesting conditions.	
Measures to be Taken When vesting Conditions are not Met	1. Starting from the date of receiving the new restricted employee shares, where voluntarily resign, dismissal, severance, retirement, death (those suffered from occupational disaster shall be handled in accordance with Article 5, Paragraph 5 of the Issuance Regulation), leave of absence without pay, transfer to affiliates occurred within 3 years, regarding the obtained shares (the year) which haven't met the vesting conditions but not yet met the vest, the Company shall take back unsecured from employees. 2. The shares/dividend distribution obtained during the vesting conditions shall be handed over to trust. 3. Before achieving the vesting conditions, if the employee violated the termination or cancellation of the agent authorization from the Company stipulated in Item 8 of the Article, the Company shall take back unsecured from employees. 4. When the vesting conditions were not met, the Company shall take back unsecured from employees.	
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	3,485,000 shares	
Number of Released New Restricted Employee Shares	1,395,000 shares	
Number of Unreleased New Restricted Shares	120,000 shares	
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.02%	
Impact on possible dilution of shareholdings	It does not have major impact on shareholders' equity.	

Apr. 11, 2020

Type of New Restricted Employee Shares	2018 New Restricted Employee Shares
Date of Effective Registration	Approval for issuance of 8,500,000 shares on Sep. 28, 2018
Issue date	Mar. 20, 2019
Number of New Restricted Employee Shares Issued	8,500,000 shares
Issued Price	Issued Price Approved by 2018 Shareholders' Meeting NT$0 (unsecured issuance)
New Restricted Employee Shares as a Percentage of Shares Issued	1.66%
Vesting Conditions of New Restricted Employee Shares	Starting from a year following the date of receiving the new restricted employee shares, where the employee is still on-the-job before the vesting due date and has never violated relevant contract, obligation, rules in the Issuance Regulations, the amount of employees' vesting shares shall adopt yearly settlement. The highest ratio can be received in each year is as follows: 1 year after due: 30% 2 years after due: 30% 3 years after due: 40% However, the actual percentage of vesting shares in such year shall be multiplied with the overall business performance and employees' personal performance indicator achievement during the previous year before the due date, which are explained as follows: 1. Company's business indicators: If the Company's annual earnings per share is equal to or greater than NT$ 1, 100% of the vesting shares in such year may be distributed; if the Company's annual earnings per share is greater than or equal to NT$0 but less than NT$ 1, 50% of the vesting shares in such year may be distributed. (it refers to the earnings per share disclosed in the consolidated financial statement from the previous year of the vesting date reviewed by CPAs). 2. Personal performance: Before the due date of receiving the shares, for those with two performance values above (include) G+, 100% vesting shares may be distributed; if there is only one value above (include) G+ in the two performance values and the other value was not F, 50% vesting shares may be distributed. (Regarding the grades for evaluating employees' personal performances, please refer to the Company's Regulations for Performance Evaluation, where there are 5 grades from excellent to poor, "O, E, G+, G, F".)
Restricted Rights of New Restricted Employee Shares	1.During the vesting period, employees may not sell, pledge, transfer, give as gifts to others, create or apply other methods of disposal of such new restricted employee shares. 2.During the vesting period, such new restricted employee shares can still participate in shares distribution, dividend distribution and capital increase by cash for subscription. 3.After the issuance of new restricted employee shares, the employee shall be handed over to trust immediately and may not request for return of new restricted employee shares with any reasons or methods to the trustee before achieving the vesting conditions.
Custody Status of New Restricted Employee Shares	Employees may not request for return of new restricted employee shares with any reasons or methods to the trustee before achieving the vesting conditions.
Measures to be Taken When vesting Conditions are not Met	1. Starting from the date of receiving the new restricted employee shares, where voluntarily resign, dismissal, severance, retirement, death (those suffered from occupational disaster shall be handled in accordance with Article 5, Paragraph 5 of the Issuance Regulation), leave of absence without pay, transfer to affiliates occurred within 3 years, regarding the obtained shares (the year) which haven't met the vesting conditions but not yet met the vest, the Company shall take back unsecured from employees. 2. The shares/dividend distribution obtained during the vesting conditions shall be handed over to trust. 3. Before achieving the vesting conditions, if the employee violated the termination or cancellation of the agent authorization from the Company stipulated in Item 8 of the Article, the Company shall take back unsecured from employees. 4. When the vesting conditions were not met, the Company shall take back unsecured from employees.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	2,550,000 shares
Number of Released New Restricted Employee Shares	0 shares
Number of Unreleased New Restricted Shares	5,950,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	1.16%
Impact on possible dilution of shareholdings	It does not have major impact on shareholders' equity.

2. List of Managers Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares

Apr. 11, 2020

Title		Name	Number of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note 2)	Released				Unreleased			
					No. of Released Restricted Shares	Issued Price (NT$)	Amount (NT$)	Released Restricted Shares as a Percentage of Shares Issued (Note 2)	No. of Unreleased Restricted Shares	Issued Price (NT$)	Amount (NT$)	Unreleased Restricted Shares as a Percentage of Shares Issued (Note 2)
Managers	Executive Officer	Feng Cheng (David) Su	9,550,000	1.84	1,200,000	0	0	0.23	3,900,000	0	0	0.75
	Deputy General Manager	Terry Tang										
	Deputy General Manager	Louis Lu										
	Deputy General Manager	B.Y. Chang										
	Deputy General Manager	Mong Lin										
	Deputy General Manager	C.N. Huang										
	Deputy General Manager	Mitch Lee										
	Senior Assistant Manager	William Wu										
	Assistant Manager	Brian Lin										
	Assistant Manager	Jackson Hsu										
Top Ten Employees with New Restricted Employee Shares	Special Assistant of executive officer	Teng Huei (Allen) Huang	3,750,000	0.72	195,000	0	0	0.04	2,170,000	0	0	0.42
	Director	Frank Ho										
	Senior Director	Rex Tien										
	Senior Director	J.C. Liang										
	Senior Director	Derek Chao										
	Senior Director	Cindy Wang										

Note 1: Take back 6,035,000 issued new restricted employee shares in accordance with the Issuance Regulations.

Note 2: Calculate with the number of issued shares, 519,386,380, after the Hsinchu Science Park Bureau, MOST approved for changing the registration of the Company on Sep. 17, 2019

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions

1. **The Company has completed merger or acquisition of other corporations to issue new shares during the most recent year and the current year up to the date of publication of the annual report:** None.
2. **The Board of Directors of the Company has approved merger or acquisition of other corporations to issue new shares during the most recent year and the current year up to the date of publication of the annual report:** None.

VIII. Implementation of Fund Application Plans

1. Content of the Plans

Fund source	Fund application	Date entered the Market Observation Post System	Content/reason/ benefits before and after/date of submission to shareholders' meeting for changes	Up to the preceding season of the date of publication of the annual report		Where the execution progress or benefits did not meet the expected objectives	
				Implementation	Implementation situation and the comparison with the original expected benefits	Reasons	Impact and improvement plan on shareholders' equity
2014 1st private placement of common shares	Equipment expansion and supplementary of operating funds	Aug. 27, 2014	This does not involve plan change	(A) Expansion of equipment 1. Expansion of equipment with NT$ 1 billion, which was completed during 3rd season of 2017. 2. After the original estimated plan was completed, annual operating income can be increased with NT$1,100,000,000. However, due to the changes in the LED industrial environment, market price dropped severely, the Company adjusted the combination of illumination products, optimized product designs to maintain profits. But it has caused the growth not as expected. (B) Supplementary of operating funds 1. Supplementary of operating funds with NT$ 1.49 billion, which was completed during the 4th season of 2014. 2. Liabilities decreased from 40% in Sep. 2014 to 36% in Dec. 2014; current ratio and quick ratio increased from 199% and 157% in Sep. 2014 to 277% and 223% at the end of 2014, respectively. The benefits of enhancing financial structure and financial ability have significantly appeared.		Note applicable	Note applicable

2. Comparison of Property, Plants and Equipment, Operating Revenues, Operating Costs and Operating income

Unit: NT$1,000

Items	2018	2019	Increase/decrease
Fixed assets	3,158,849	2,731,837	(427,012)
Operating revenues	7,054,017	6,213,647	(840,370)
Operating costs	5,918,977	5,054,711	(864,266)
Operating income (loss).	(60,497)	(182,496)	(121,999)

1.Decrease in fixed assets: This is mainly due to normal operational use of the machines and equipment, resulting in depreciation and continuous amortization.

2. Decrease in operating revenues: This is mainly because China-US trade war in 2019 affected the terminal demands and the imbalance situation of supply and demand in the industry was not relieved, resulting in decreasing revenues.

3. Decrease in operating costs: This is mainly due to the decrease in revenues, resulting in decrease of the costs.

4. Increase in operating loss: This is mainly due to the decrease in revenues, resulting in increase of the operating loss compared to the same period during last year.

3. Explanations on Increase/decrease Situation of the Current Assets, Current Liabilities, Total Liabilities, Interest Expenses, Operating Revenues and Earnings per Share and the Analysis on Financial Structure

Unit: NT$1,000

Item	2018	2019	Increase/decrease
Current assets	6,947,001	5,629,088	(1,317,913)
Current liabilities	3,344,703	2,258,082	(1,086,621)
Total liabilities	3,412,226	2,629,160	(783,066)
Interest expenses	7,278	4,216	(3,062)
Operating revenues	7,054,017	6,213,647	(840,370)
Earnings per share (NT$)	0.10	(0.61)	(0.71)
Debt ratio (%)	23	19	(4)
Long-term funds/fixed assets (%)	362	412	50

1. Decrease in current assets: This is due to the decrease in accounts receivable.
2. Decrease in current liabilities: This is mainly due to the decrease in accounts payable and bonds payable due within a year.
3. Decrease in total liabilities: This is mainly due to the decrease in accounts payable and bonds payable due within a year.
4. Decrease in interest expenses: This is because the interests expenses of bonds payable in 2018. Such situation does not exist in 2019.
5. Decrease in operating revenues: This is because China-US trade war in 2019 affected the terminal demands and the imbalance situation of supply and demand in the industry was not relieved, resulting in decreasing operating revenues.
6. Decrease in earnings per share: This is because China-US trade war in 2019 affected the terminal demands and the imbalance situation of supply and demand in the industry was not relieved, resulting in net loss.
7. Decrease in debt ratio: This is mainly due to the decrease in accounts payable.
8. Increase in the long-term funds accounted for fixed assets: This is due to the decrease in fixed assets.

Operational Highlights

I. Business Activities, Market and Overview on Production and Sales

1. Business Activities

(A) Business scope

(1) Major businesses

- InGaN Epi Wafer & Chips
- AlGaAs Epi Wafer & Chips
- AlInGaP Chips
- LED Package & Module
- LED lights, parts and applications

Systems and parts of the above products, with the main application scope as below:

- LCD backlight source industry
- Lighting industry
- Automotive lighting industry
- Sensing industry
- Invisible light industry
- RGB display industry

(2) Major businesses and operation percentages in 2019

Unit: NT$1,000；%

Business	Revenue	Operation percentage
Backlight application products	7,305,489	80.68
Lighting application products	1,749,444	19.32
Total	9,054,933	100.00

(3) Current products

The major products of the company and its subsidiaries are

- LED blue and green light chips
- LED UV chips
- LED red and yellow light chips
- LED IR Chips
- Package parts and modules of backlight products
- Package parts, modules and finished products of lighting products
- Chips, package parts, modules and finished products of automotive lighting products
- Package parts and modules of invisible light (UV/IR) products
- Chips and package of Vertical-Cavity Surface-Emitting Laser (VCSEL)
- Modules of RGB display products

Development, production, manufacturing and sales of above products

(4) New products to be developed in the future

The company and its subsidiaries plan to develop the new products based on the market demands, which are classified into six main categories:

1. Backlight source products
   1) Develop light source with high color saturation for the LED backlight module
   2) Develop light source with high light efficiency and wide color gamut LED for the LED backlight module
   3) Develop CSP light source for the LED backlight module
   4) Develop local dimming light source for the LED backlight module
   5) Develop Blu-ray model type light source for the LED backlight module
   6) Develop ultrathin light source for the LED backlight module
   7) Develop curve light source for the LED backlight module
   8) Develop Mini LED light source for the LED backlight module
2. Professional lighting application products
   1) Develop colorful LED package parts for professional lighting application with high light efficiency, high CRI, anti-sulfuration feature
   2) Develop highly-flexible and highly-customized lighting modules applicable to professional lighting application
3. Automotive light source products
   1) Develop quality automotive LED chips
   2) Develop quality automotive package parts
   3) Develop quality automotive LED light bar modules
4. Sensing light source application products
   1) Develop sensing LED chips
   2) Develop sensing LED package parts
   3) Develop sensing LED modules
5. Invisible light application products
   1) Develop IR/FIR LED package parts
   2) Develop biometric LED components and modules
   3) Develop UV LED chips, package parts and modular products applicable to curing
   4) Develop UV LED chips, package parts and modular products applicable to sterilization
6. RGB display application products
   1) Develop new LED technologies for the small pitch and Mini LED display requirements
   2) Develop new LED technologies of ultrathin display light source applicable to the handheld electronic devices
   3) Develop new LED technologies for the Micro LED display requirements

(B) Industrial overview

(1) Current situation and development of the industry

With the development history of more than 30 years, Taiwan's LED industry has constructed complete value chain, and plays the role as a critical supplier in the global LED industry. With the features of small size, long life span, low driving voltage, power saving, and resistance to vibration, LED gradually substitutes the backlight sources such as CCFL and LCD.

Since NB changed to use the LED backlight source instead of CCFL in 2007, the relevant products such as the TV, display and other medium and small-sized products have turned to use LED successfully, which resulted in explosive growth of LED demands. After that, the LED advantages were expanded to the general lighting fields, such as the house lighting, outdoors lighting, industrial lighting and entertainment lighting. With fast expansion, the LED industry became a star industry that drew attention from the mass public.

After a few years, the LED industry in China has grown rapidly through the subsidy from the government of China. However, the fast expansion of production capability has resulted in huge increase in supply volume, and thus, induced market price competition and excess production capacity. Hence, the industry has gradually turned to the development of high added value application, including automobile market, advanced backlight and display market, UV solidification and sterilization product, infrared products and 2D/3D sensing elements, etc. In addition, blue LED backlight products continue to advance regarding its specifications in response to the demands from consumer market and its R&D have gone towards trend of light, thin, short, small, high dynamic contrast and high-speed response with the two key development technologies, Mini LED and Micro LED.

Mini LED started in 2018 and was now used in new products with backlight form or RGB display technology. It is expected that it will enter high-speed development stage in 2020. The product applications of backlight Mini LED include television, gaming screens, notebook computers, automobile panels, etc. The application scope of RGB display includes advanced outdoor/indoor spliced display and automobile monitor. Mini LED has two advantages: for one, there is more flexibility in its design through splicing and extending its size; for the other, zone-based light adjustment can be done through the light adjustment control in thousands of zones to achieve high contrast, wide color range, high-speed response and high color saturation, etc.

Micro LED started in 2019. In the future, it will be applied in advanced market and become the mainstream of product application, such as advanced television, display. It can also have extensive application scope, including cell phones, wearable devices, automobile monitor, virtual reality, television, commercial billboard, etc., which are highly expected in the market. However, Micro LED has encountered 6 major bottlenecks, small-size chip production, mass amount transfer, full color, power driven, back board and inspection and repair technology, currently. In addition, it also has problems of production yield and high costs. Hence, it is still far away from mass production. Although it has strong market development potential. It still needs to make it way to break through the development hinders.

As shown by LEDinside’s research, with the rising of Micro LED and Mini LED, LED changes to emit light by itself instead of backlight in the past. In the future, each LED on the display will become a pixel point, which will greatly increase the amount of LED chips in use. The breakthrough of technical bottlenecks will reduce the cost, which will make significant contribution to the overall LED output. As estimated by LEDinside, the output of Mini LED and Micro LED will reach US$1.38 billion in 2022, which will further increase to US$2.891 billion in 2025.

LED automobile market development can be divided into automobile illumination and car panels. The automobile illumination market of LED can be further divided into original equipment market (OE) and aftermarket (AM) and its application can be divided into alert and illumination outside the car and in-car illumination; the applications outside the car include headlight, taillight, fog lights, direction lights, daytime running lights, positioning lights; the applications inside the car include in-car illumination light and atmosphere light. Car panels include head-up display, central control panel, instrument panel, entertainment panel, etc. According to the research by LEDinside, it shows that the production value of LED car panels has grown to USD 87 million in 2020. The percentage of new cars around the world with standard accessory of LED panel has grown to over 18% in 2020.

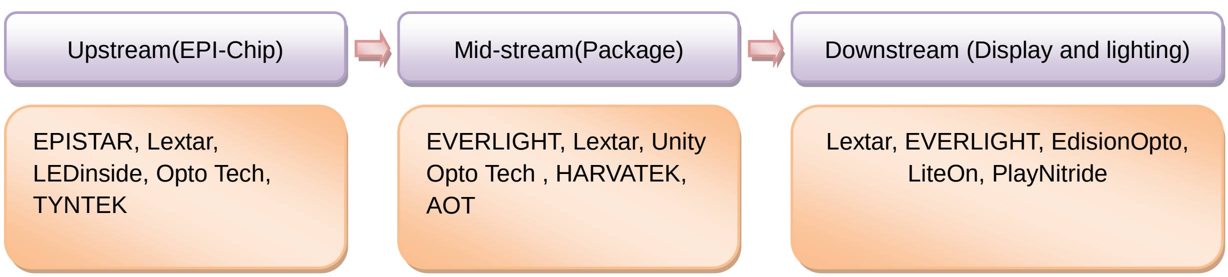
More attention has been focused in the market development of LED invisible light recently. These products can be divided into infrared sensing applications and UV LED applications.

Regarding the infrared sensing applications, since iPhone started the trend of 3D facial recognition, other cell phone brands also introduced this technology competitively, making the demands of 2D and 3D sensing market expand rapidly. In addition to its applications in handheld device, the future 2D and 3D sensing market to be developed includes biometrics, in-car sensing, drones, automatic guided vehicle, distance sensors, etc. Moreover, security monitoring, digital medical monitoring (heartbeat, blood oxygen, blood glucose sensing ...), spectrum sensing, etc. are also applicable scope for infrared sensing market. LEDinside also pointed out that the market scale of infrared LED and infrared laser in 2020 can achieve USD 2.143 billion.

UV LED has replaced the traditional UV lamp at a faster speed due to its advantages, small volume, longer endurance, uniform illumination and power-saving as well as the prohibition of mercury in the international environment protection issues in 2013. UV LED can be divided based on its wavelength into UVA, UVB and UVC. Currently, UVA LED and UVC LED is the mainstream in the current development. The major application of UVA in the market is solidification and UV exposure, etc. Its market has grown stably. The growth momentum of UV LED will be coming from UVC in the next 5 years. UVC can be applied in surface sterilization, sterilization of stilled water, sterilization of flowing water. Regarding the sterilization of stilled waster and surface (air purification, home appliances, etc.), it has relatively extensive market applications since it does not require high product power; as for the sterilization of flowing water, it includes director drinking water and water purifier. Due to the needs of rapid sterilization within short amount of time, the requirement for product power is high. Currently, home-use water purifier is its major development direction. According to the research report by LEDinside, it is expected that the production value of UVC LED will reach USD 991 million in 2023 and the compound growth rate during 2017-2023 will reach 29%.

(2) Correlation of industrial upstream, mid-stream and downstream

With the history of 30 years in the LED industry in Taiwan, the entire industry can be divided into the upstream for manufacturing of EPI-Chip, the mid-stream for manufacturing of module and package, and the downstream for application products. The development is initially started from mid-stream, and expanded to downstream and upstream gradually.



Source: sorted by Lextar

The responsibilities of LED upstream, mid-stream and downstream are introduced as below:

Industry	Product	Process Description
Upstream (Epitaxy)	Single wafer EPI wafer	Single-layer or multi-layer wafer grows on the single wafer substrate. Through chemical combination, it forms the EPI wafer accumulated by multiple chemical elements.
Upstream (Chip)	Chip	EPI chip goes through metal evaporation to make the metal electrodes on both ends of LED. After that, conduct photo mask etching and thermal treatment on the EPI wafer. Finally, perform thinning and polishing on the substrate, and then cut and chip it into LED chips.
Mid-stream (Package)	Package	The mid-stream is mainly engaged in package business. The process includes die bonding, wire bonding, dicing or press molding, testing and packaging. Currently, the chip packages based on different package technologies include lamp, digital display, dot array, surface mount, and so on.
Downstream (Display and lighting)	Backlight module Display Lighting products	The downstream applications are mainly backlight modules and lighting products. There are more than 200 lighting product assembly manufacturers in Taiwan.

(3) Product development trends

A. Backlight product development trend

- It enters the consumer electronics products such as the backlight keys of mobile phone since 2000.
- LED backlight is integrated in the laptop products since 2007.
- The large-scale backlight application becomes popular since 2009, and the demands for high-brightness white light keep growing.
- With the increasing requirements for backlight performance of the panel, the high-power LED product development has become the trend of LED backlight products.
- For the high color saturation and high dynamic contrast requirements of panel, it will develop the products of higher specification and higher performance.
- For the requirements of more advanced LED backlight products, such as the automotive panel, the gaming laptop and display, the advanced drawing display and the medical product applications, it will develop the LED backlight products with higher dynamic contrast, wider color gamut and high response speed, which can be distinguished into areas for control.
- It will develop the new generation of Mini LED backlight products, which will be arranged in a array in the backlight module. It will also emphasizes on high contrast, ultrahigh brightness and local trimming to realize the advantages such as HDR.

B. Various developments of lighting products

For the development of lighting products, they can be mainly classified into general lighting, commercial lighting, special lighting, and outdoor/architecture lighting based on different application.

- General lighting: It includes lamp, bulb, PAR light and other changeable lights, which is mainly used in households.
- Commercial lighting: It includes batten light and high bay light, which are mainly used in the office, plant or store for showcasing products. For commercial customers, the lighting requirements are mainly the overall lighting efficiency, power-saving effect, color rendering and light pattern.
- Special lighting: The main application scope includes the plant lighting, stage lighting, outdoor sport lighting, and so on.
- Outdoor/architecture lighting: It includes the road light, courtyard light, stadium light and

lights for other special application. The major requirements are water-proof, high brightness and long life span. The architecture lighting is relatively diverse, which is mainly used on architectures and bridges at night. Besides the basic outdoor requirements for water-proof and life span, it also needs colorful lights to enrich the scene.

C. Various developments of automotive lighting products

As for the development of automotive lighting products, the application scope is mainly divided into the automotive interior light, the exterior signal lights, the head lights and the smart head lights.

- Interior light: It includes the interior light, the mood light and the interior indicators, which are mainly used by the personnel inside the vehicle.
- Exterior signal lights: It includes the day running light, direction light, brake light and tail light. It mainly aims to provide exterior signals for the personnel out of the vehicle.
- Head lights: It includes the high/low beam light and fog light, which mainly provides exterior lighting for the personnel inside the vehicle.
- Smart head lights: It includes the LED head light set in array, the sensing parts and the light control module. Besides the exterior lighting, it can also detect the condition out of the vehicle, so as to adjust the brightness of the angle of the light.

D. Various development of sensing products

- It is applied in 2D iris recognition or facial recognition, which can be used on personal handheld devices, PC or security surveillance.
- 3D sensing identification is the trend of new-generation sensing products. Its application scope includes biometrics (face), safety monitoring, automobile lidar, unmanned vehicles, drones, industrial arms, etc.
- Another development of sensing products is opto-sensing products, whose function is to receive the light emitted from the receiving sensing elements.

E. Various developments of invisible light products

- IR LED: Initially the application in the IR LED market was started from the security surveillance. Later with the prevalence of digital medical care, the IR LED products used to monitor the heartbeat and blood oxygen are integrated in the wearable devices such as smart watch and bracelet.
- UV LED: Initially the development of UV LED was mainly UVA LED curing. The product applications include the printing market, medical care facilities, beauty equipment, automotive coating and industrial exposure system. It has started to develop UVC LED sterilization products in recent years, which cover various applications for individuals, households and public facilities.

F. Development of RGB display

- Initially the RGB display was used in the outdoor billboard, which was mainly used for promotion information display and the billboard in the stadium and public commercial space.
- With the advancement of LED technology, the dimension and space between RGB LEDs are shortened. Then the RGB display turns to the interior application, which can be mainly divided into six categories, namely, broadcasting application (live hall), security surveillance, enterprise and education (conference room of company, classroom of school and training institution), retail (high-end retail, shopping centers), public space and transportation(airports, subways, plazas, etc.), hotels and theaters (including other cultural &recreational places).

(4)Competition situation

In recent years, the substantial increase in the capacity of LED results in the fierce competition of the market price. Under the industrial environment with fierce competition, LED manufacturers actively respond to it with the strategy of product transformation, so as to enter the niche market more quickly. In addition to improving the technology and quality of the original products, we are seeking a differentiated product combination with high value added, so as to get out of the price war. Besides, the LED industry will face a more complicated and changing situation in the future. Under the market of fierce competition, the mergers and acquisitions of the LED industry will be continued. The large ones will get larger and the weak ones will be out of the industry. The industrial order will be gradually stabilized.

(C) Overview of technology and development

(1) The annual development expense invested in the last five years Unit: NT$1,000

Year	2015	2016	2017	2018	2019
Research and developmen	562,834	618,307	650,434	662,703	773,545

(2) The development technologies and products in the most recent year

A. New products developed in 2018

- Developed the fourth generation of WCG package products, which increased the color rendering ability of the panel, and can be applied in the new products such as game machine, and advanced display for gaming.
- Released the new generation of slim package products, which could reduce the overall backlight thickness of the panel, and could be applied in the new products such as advanced TV, display and notebook.
- Released the new generation of Mini LED backlight products. The advanced thin backlight Mini LED light bar of this series could achieve high contrast, WCG and thin size, which could be applied in the advanced notebook, gaming display and automotive panel.
- Released the new generation of Mini LED RGB display products, which could be applied in the Mini RGB LED package of small pitch display.
- Released the next generation of Ultra Fine Pitch (UFP) I-Mini RGB display module, so as to realize the minimum space reaching 0.3mm, which was applicable to the indoor/outdoor billboard and theater.
- Released the latest Micro LED chips, with the size smaller than 20μm).
- Released a series of 3D sensing VCSEL package products. The ToF distance measurement method applied by the VCSEL parts has the advantages of fast scanning speed, fast distance and high performance, as well as the ambient light immunity, which can be applied in the applications such as gesture recognition, human detection, facial recognition and drive fatigue detection.

B. New products developed in 2019

- The Company developed new-generation WCG packaging technology to enhance the color emergence capability of the panel, which can be applied in advanced professional monitor.
- The Company launched new-generation Mini LED backlight module, having features of ultra-thin, WCG and high contrast. The backlight module can be divided into 240 controlled zone, which can display the details under dark environment. The thickness of the backlight module can be reduced to lower than 0.5mm to significantly compressed the thickness of the module. Its major application is advanced notebook computer, gaming screens and automobile panels.
- The Company published UFP I-Mini RGB module with ultra-small spacing of P0.7. Its applications include large billboards, bus stop sign, sea navigation display, car panel, HUD head-up monitor and taillight, etc. and it has the advantages of high brightness, high contrast, readability under strong light and flexible splicing size.
- The Company launched integrated I-Mini Blue backlight board to integrate Flip Chip Mini LED blue-light chip and driver IC on the light board to achieve high-contrast, thin, reduced module assembly costs, which can be applied in television, advanced gaming monitor or notebook computer, etc.

- The Company published active lighting AM (Active Matrix) Mini LED backlight panel, which applied COG (Chip on Glass) technology to plant the blue-light Mini LED chip directly on TFT glass base. 2.9-inch panel can have control over 2,300 zones so that the small size panel can also achieve high-contrast stereoscopic vision, which is suitable for application in VR.
- The Company developed next-generation of Micro LED chip, whose size can go down to lower than 15μm.
- The Company launched new-generation 3D sensing ToF VCSEL elements, which can be applied in hand gesture recognition in the car drivers' console menu and human facial recognition in anti-sleep applications, etc.
- The Company entered the field of four-element chip products to develop red-light and infrared chip products. Red-light chip products can be applied in RGB display, advanced red-light illumination, plant illumination, etc. Infrared chip products can be applied in security protection, sensing, wearable devices…, etc.
- The Company launched automobile LED matrix headlight module. Such module was composed of 240 LEDs and adopted self-produced high-power chip. The average brightness of each LED can reach up to 15,000 cd. The light efficiency of a single LED is high. Moreover, Each LED can have its independent control over its brightness and can also project the dynamic figure or message to driving roads.

C. Products to be developed in 2020

In 2019, we plan to invest the development expense about NT$910 million in the development items as listed below:

Development item	Description	Progress	Time for mass productio	Major factors to success
WCG package	Product high performance phosphor to further increase the color rendering ability of the panel	In development	2020	Product reliability Phosphor R&D ability
HDR package	Extend HDR technology of backlight products, and further meet the requirements of the next generation of LED backlight	In development	2020	Optical design ability Process stability and high yield rate
Ultra-slim package	Ultra slim LED products to cope with the slim requirements of mobile phone and compete against OLED	In development	2020	Mechanical optical design ability Process stability and high yield rate
Curve backlight module	Develop curve backlight module for new generation of TV requirements	In development	2020	Mechanical optical design ability Process stability and high yield rate
Long-life-span package	Develop long-life-span package for the next generation of generic GD and automotive requirements	In development	2020	Product reliability Process stability and high yield rate

Development item	Description	Progress	Time for mass productio	Major factors to success
MiniLED backlight module	Develop new generation of miniLED COB and miniLED DOB with K-zone control	In development	2020	Product reliability Process stability and high yield rate
Fine Pitch RGB Display	Develop new generation of fine pitch RGB display with K-zone control	In development	2020	Mass transfer technology Process stability and high yield rate
Micro LED	The new generation of micro LED products is of proactive light emitting display, which will be more power-saving and brighter with higher response speed.	In development	2020	Mass transfer technology Product reliability Process stability and high yield rate
3D ToF products	Develop VCSEL (Vertical-Cavity Surface-Emitting Laser) chip, package and modular product to meet the requirements of 3D sensing products	In development	2020	Product reliability Process stability and high yield rate
UV sterilization products	Develop UV sterilization chip and package	In development	2020	Develop UV sterilization chip and package
Red-ray chips	Develop red-ray chips to meet the RGB LED display requirements	In development	2020	Product reliability Process stability and high yield rate
Invisible light(IR)packag e products	Develop IR LED package products for higher specification and different angles of light emitting	In development	2020	Product reliability Process stability and high yield rate
GaN power component	Develop GaN power component for fast charge device demand	In development	2020	Product R&D ability Process stability and high yield rate
RF power component	Develop RF power component for 5G demand	In development	2020	Product R&D ability Process stability and high yield rate
Fine Pitch RGB Display	Develop new generation of fine pitch RGB display with K-zone control	In development	2020	Mass transfer technology Process stability and high yield rate

(3) R&D personnel and their education background

Until April 11, 2020, there were 319 employees working in the R&D department of the company and its subsidiaries. Those getting master or higher degree account for 66.77% of the total employees in the R&D department. The education background is distributed as below:

Apr. 11, 2020

Education background	Counts(persons)	Percentage (%)	Average seniority in the company and its	Related working experience
Doctor	28	8.78%	4.60	9.78
Master	179	56.11%	5.21	9.79
Bachelor	80	25.08%	4.34	8.59
Junior college	32	10.03%	5.22	7.71
Total	319	100%	4.91	9.25

(四) Long- and Short-term Business Development Plans

(1) Short-term plans

- Develop high level blue light source of LED backlight to improve product competitiveness
- Increase the proportion of advanced backlight products; increase the high value-added products such as Mini LED.
- Develop new products of RGB display, and accelerate the layout in the market
- Actively expand the sensing and UV business applications
- Develop compound semiconductor product to increase high value-added products
- Improve patent quality and increase competitiveness
- Merge production sites to lower manufacturing cost
- Increase production efficiency, actively develop smart manufacturing, and add automation technologies so as to reduce production cost
- Perfect management system, and establish active, responsible and innovative enterprise culture

(2) Long-term plans

- Strengthen the sales and channels in global market, and enhance the strategic cooperation with global customers
- Develop exclusive LED key technology continuously and strengthen the patent layout, so as to increase the competitiveness
- Establish multi-layer commercial cooperation with LED upstream/mid-stream/downstream suppliers, expand the growth of technology and capacity
- Increase cross-industrial cooperation and platform establishment, so as to improve the international competitiveness and product value-added in the entire LED industry
- Take advantage of one-stop production from LED Epi, Chip, Package to SMT, construct the plant production model in the LED supply chain, so as to reduce production cost and increase profitability
- Continue to develop new products and technologies for compound semiconductors

2. Markets and Sales

(A) Market analysis

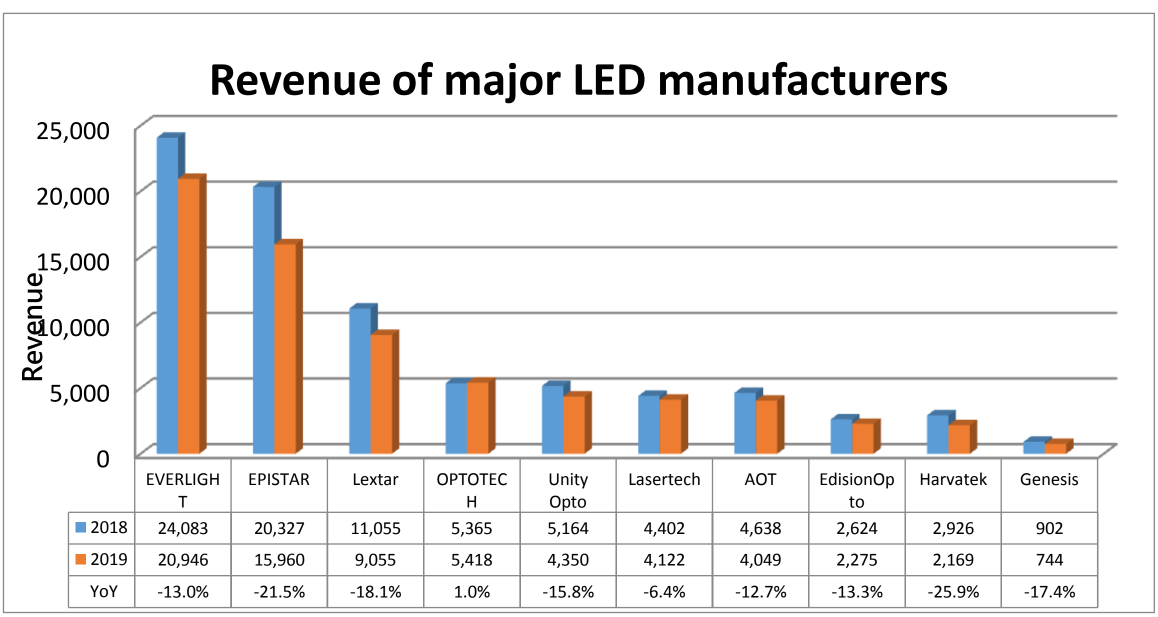
(1) The target sales (provision) regions of the main products (services) of the company

Unit: NT$1,000；%

Year / Target region	2018		2019	
	Sales volume	%	Sales volume	%
Domestic sales	448,592	4.06	477,565	5.28
Export (Asia)	8,642,730	78.18	7,649,815	84.48
Export (Other regions)	1,963,901	17.76	927,553	10.24

(2) Market share

Lextar is mainly engaged in LED research, development, design, manufacturing and sale businesses, which is an all-in-one enterprise based on vertically integrated production-sale model. Currently there are dozens of competitors, mainly including EVERLIGHT, EPISTAR, Unity Opto and OPTOTECH. After analyzing the LED manufacturers in Taiwan, according to the revenue statistics announced by the manufacturers, the consolidated revenues of major LED manufacturers in 2019 were shown as below. Wherein, Lextar obtained the consolidated revenue about NT$ 9.06 billion, which was ranked in the third place in Taiwan, with the annual growth rate -18.0%. The major factors that cause dropping revenue were the sharp decline of consumption lighting businesses. Moreover, it focused on the technical development of photoelectric semiconductor products, and set targets on the parts and modules in the four fields of display, professional lighting, automotive and sensing, returning to the integrated product service of photo, mechanical, electric and thermal technologies.



Source: Sorted by Lextar in February, 2020

(3) Future supply and demand situation and growth of the market

The growth of LED backlight market demands has tended towards saturation. However, the development of new technologies, Mini LED and Micro LED, has opened up the growth opportunities of LED monitor market. In addition, a trend of facial recognition has entered the 3D sensing market due to cell phone applications. In addition to cell phone applications, it can also be used in security protection system, human flow detection, drivers' fatigue detection, etc. The future application market of 3D sensing elements will have unlimited business opportunities. Moreover, invisible light can be used in security protection, biometrics, industrial automation and consumer electronic devices and automobile lighting, sensing and display market. There are more vendors active devoted into the development in this field. Recently, LED industry has developed towards compound semiconductor products, which include power element and communication element. The application of power element includes high efficiency power converter, new energy car, charging base station and charger poll. The application of communication element includes wireless regional network, landline network, optical fiber communication, satellite communication and 5G micro base station, etc.

(4) Competition niche

A. The operation model adopted by the company and its subsidiaries is all-in-one integration operation from LED EPI, chip, package, SMT to downstream module products. Such strategy is different from the professional division of labor that is common in Taiwan's LED industry. Its advantage lies in vertical integration that can speed up the development of products based on customer demands. At the meantime, it provides comprehensive technical support service, so as to cope with the customer's design requirements of product diversification.

B. As the product sale covers the upstream/mid-stream/downstream of LED industry, it can provide and make good use of product specification and output allocation. This can facilitate the implementation of "complete production and complete sale" philosophy for the chips and package.

C. With many years of product and operation experience accumulated in the backlight and lighting market, we also get into the supply chain of globally large manufacturers in China, Europe, U.S., Japan and South Korea, so as to get the accurate information of the market and the technical development overview. It will be greatly helpful for the development of new products and the introduction of new customers in the future.

D. The operation management team of the company mostly owns several years of experience in the fields of TFT LCD, LED EPI, chips and package. Thus, we are capable of integrated manufacturing technology and supply chain management.

(5) Favorable and unfavorable factors for development prospect and the actions to be taken

Favorable factors:

A. Clear application of new LED display technology
The Mini LED featured by high brightness and high contrast in the display effect, it is comparable to OLED display. Therefore, in this stage, it has been introduced in the high-end markets with high requirements for the visual effect such as commercial display and home theater.

B. Explosion of applications of sensing technology
Benefiting from the 3D face recognition trend brought by iPhone, such technology is introduced by other branded mobile phone manufacturers. As a result, the 2D and 3D sensing market demands are rapidly expanded.

C. Continuous expansion of automotive LED application
The high-power automotive LED was mostly used in the headlight of the high-class automobiles in the past. However, under the technological development and the cost down, it is gradually expanded from the high-class automobiles to medium-class automobiles. In addition, the automotive LED is gradually expanded from the interior/exterior lighting to the on-vehicle panel.

D. Continuous development of new LED technology of invisible light
The market of LED invisible light application is in rapid development, including security surveillance, biometrical recognition of mobile device (facial, iris and fingerprint recognition), digital medical care (heartbeat, blood oxygen and pressure detection), gaming notebook, IR touchscreen, NIR spectrometer,

VR/eye tracking, automotive detection and LIDAR, drone and proximity sensor.

Unfavorable factors and actions:

A. Rapid expansion of capacity in China shows the potential risk of excess supply in the market
Actions to be taken: The Company will accelerate the transformation towards the development and sale of high value-added products, integrate the production sites to reduce the production cost based on the economic scale, and actively introduce the smart manufacturing to optimize the production efficiency.

B. Uncertain China-US trade war is the important potential risk showing influence on the LED industry
Actions to be taken: We will actively expand the channels in the market of the Europe and the U.S., adjust the proportion of sales in Asia, Europe and the U.S.

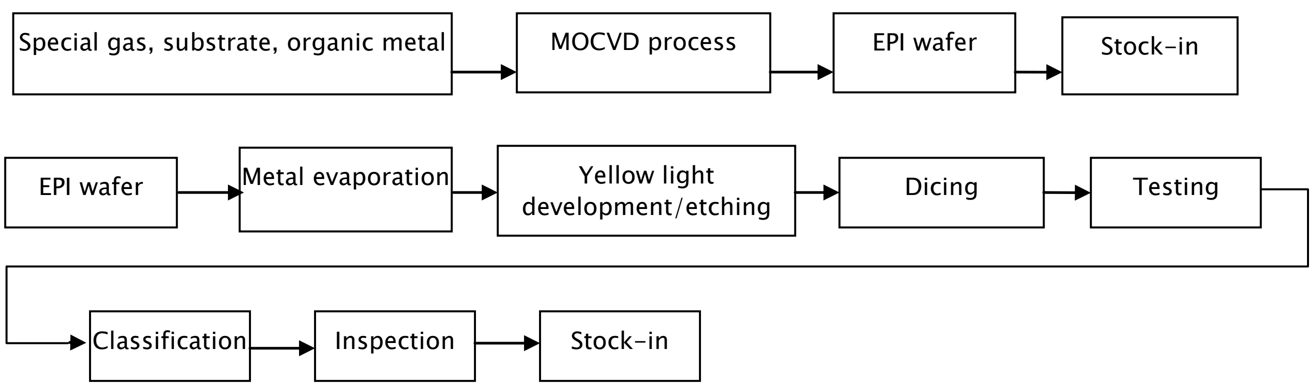
(B) Key purposes and processes of major products

(1) Key purposes of major products

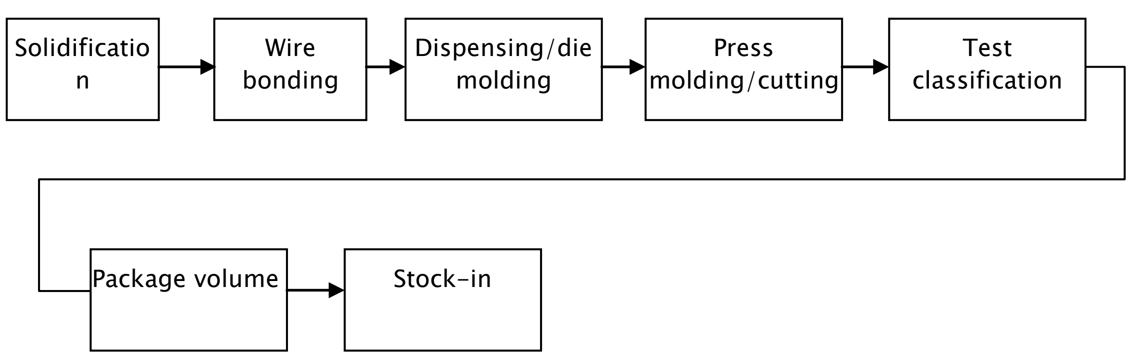
The application covers LCD backlight source and various lighting application products.

(2) Processes of major products

A. EPI and chip processes



B. Package process



Source: Sorted by Lextar

(3)Supply and demand status of the major raw materials

The Company's profession is producing LED with products covering Epi, Chip and Package to energy-saving and smart illumination products. Major raw materials and components include Sapphire, Lead Frame and Light Bar Substrate, etc. The Company has maintained good collaboration relations with domestic and foreign raw material vendors to enhance stability in its supply and purchased the key raw materials and components from more than two suppliers to maintain the flexibility in procurement and reduce the risks of centralized source of raw materials.

(4) List of major purchase vendors and sales customers

1. Name of the supplier once accounted for over 10% of net purchase amount in any of the two most recent year and its purchase amount and ratio

Unit: NT$1,000

	2018				2019			
Item	Name	Amount	Accounted for annual net procurement (%)	Relation with the issuer	Item	Name	Amount	Accounted for annual net procurement (%)
1	Company AB	870,185	12.51	NA	Company AB	99,109	1.93	-
2	Others	6,084,956	87.49	-	Others	5,030,684	98.07	-
	Net purchase amount	6,955,142	100.00	-	Net purchase amount	5,129,793	100.00	-

Analysis on increasing/decreasing changes: The Company has changed the method of obtaining products from external purchase to self-production. In addition, the decrease in turnover resulted in decreased purchase demands.

Note: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

2. Name of the sales customers once accounted for over 10% of net purchase amount in any of the two most recent year and its sales amount and ratio

Unit: NT$1,000

	2018				2019			
Items	Name	Amount	Accounted for annual net sales (%)	Relation with the issuer	Name	Amount	Accounted for annual net sales (%)	Relation with the issuer
1	Corporate group A	1,208,538	10.93	Corporate group with major impact on the merged company	Corporate group A	731,771	8.08	Corporate group with major impact on the merged company
2	Others	9,846,685	89.07	-	Others	8,323,162	91.92	-
	Net sales	11,055,223	100.00	-	Net sales	9,054,933	100.00	-

Analysis on increasing/decreasing changes: There is a decrease in the customers accounted for over 10% of the net sales in 2019 due to the changes in the ratio of customers' demands.

Note: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

(5) Production value during the two most recent years

Unit: 1,000 PCS; NT$ 1,000

Year / Production Value / Major Products	2018			2019		
	Capacity	Productivity	Production value	Capacity	Productivity	Production value
Backlight application product	9,341,145	7,354,678	6,886,143	7,815,290	6,688,356	7,349,344
Illumination application product	1,608,961	1,266,803	2,515,101	1,076,953	921,661	909,346
Total			9,401,244			8,258,689

(6) Sales value during the two most recent years

Unit: 1,000 PCS; NT$ 1,000

Year / Sales Value / Major Products	2018				2019			
	Domestic		Overseas		Domestic		Overseas	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Backlight application product	123,551	312,098	5,455,074	7,609,832	115,666	120,755	3,453,455	7,184,734
Illumination application product	25,055	136,494	1,553,118	2,996,799	41,551	356,810	1,731,585	1,392,634
Total		448,592		10,606,631		477,565		8,577,368

II. Employees' Information

Information on the employees of the Company and its subsidiaries:

Year		2018	2019	Current year up to Mar. 31, 2020
Number of Employees (people)	Manufacturing and operation personnel	2,159	2,121	2,219
	R&D personnel	375	471	480
	Business and management personnel	902	833	818
	Total	3,436	3,425	3,517
Average age (years)		30.9	30.4	31
Average service years (years)		3.73	3.63	3.31
Academic distribution (%)	Ph. D.	0.93%	1.02%	1.10%
	Master's degree	12.66%	11.72%	12.23%
	College	39.46%	33.01%	33.47%
	High school	29.31%	25.74%	23.54%
	Below high school	17.64%	28.51%	29.66%
	Total	100%	100%	100%

III. Environmental Protection Expenditure

State the total loss (including compensation) and penalty suffered due to environment pollution during the most recent year and the current year up to the date of publication of the annual report and explain the future corresponding actions (including improvement measures) and potential expenditure (including the estimated amount of potential loss, penalty and compensation if countermeasures were not adopted; if reasonable estimation cannot be made, the fact that it cannot be reasonably estimated shall be explained).

Explanations: The Company and its subsidiaries did not suffer penalties from government agency due to environment pollution during 2019 and the current year up to the date of publication of the annual report.

IV. Labor Relations

1. State Various Employee Welfare Measures, Advanced Studies, Trainings, Pension System and Implementations thereof and the Agreement between the Labors and the Capitals and Various Measures to Protect Employees' Interests

(A) Employees' welfare measures and implementations

Lextar provides salary standards with market competitiveness, including 12-month salary in a year, festival bonus (2-month salary), employee bonus, annual performance bonus and incentive bonus, etc. We have privileged salary system to gather various talents. We provide vacation days and group insurance system superior than the Labor Standard Act so that our colleagues have no worries besides work. The Company also holds irregular festival activities, sport seasons, movie show, family, cross-department meeting events, art and culture seminars and even collaborates with well-known shopping websites to plan self-opt welfare point system to provide diversified welfares. Moreover, the Company has established "Health Center" with qualified nurses and doctors stationed at the factory at regular period for consultation to provide employees with comprehensive medical assistance and health information, etc.

(B) Advanced studies, trainings, learning and development for employees

We are devoted in facilitating the performances of every Lextar colleagues. To provide systematic training plans, we established Lextar college in May 2011 as well as college of engineering, college of science, college of quality, college of law and business, college of management in response to diversified learning demands so that learning resources can be properly applied. Colleagues can also develop themselves through multiple channels, such as internal and external training activities, electronic newsletters, good book recommendations, international exhibitions, etc. Regarding new coming colleagues, we have conducted newcomers' orientations to help them blend in as soon as possible and adapt to the work and also to obtain comprehensive growth through OJT on-the-job training. We provided sufficient training resources and subsidy and allowances to encourage colleagues to continue advancing their excellence.

The implementations of Lextar college in 2019 are shown as follows:

Name of the College	College of Engineering	College of Science	College of Quality	College of Law and Business	College of Management	General Education	Total
Total number of courses	17	10	14	19	24	21	105
Total course hours	22.5	23.5	51	30	107	198	432
Total training person time	460	397	655	1,603	991	401	4,507

(C) Pension system and implementations

1. The Company established Regulations for Employees' Pension and allocated pension funds, which is 2% of

the salary, each month to Labor Pension Account in Bank of Taiwan in accordance with Labor Standards Act and Labor Pension Act or allocated 6% of employees' salary each month to Labor Insurance Bureau for saving in employees' personal pension account.

2. In accordance with the provisions in International Financial Reporting Standards (IFRS), the Company entrusted actuary to evaluate and calculate labor pension and submit actuarial evaluation report.

(D) Integrity manual for employees

The Company has prepared "Code of Conduct", "Employees' Manual" and established "Integrity Manual". A part of the integrity manual was extracted as follows:

Sticking to integrity is our responsibilities to shareholders, customers, suppliers, business partners and colleagues. Furthermore, we should even actively clarify and actively improve our daily behaviors to enhance our honesty and ethics.

1. We hold the highest standards to treat all ethical regulations.
2. We comply to official laws as well as the Company's regulations.
3. We conduct all our words, deeds and manners with integrity.
4. We are prohibited to abuse special rights to conduct illegal behaviors.
5. We try our best to avoid engaging in any interest transfer suspicion.
6. We never conduct any matters against honesty and ethics.
7. We seek for help when have doubts about how to make a decision.
8. We will sufficiently cooperate with the investigations on illegal behaviors.
9. We will immediately report upward when discovered illegal events.
10. We take the integrity principle as a standard and expand to our business partners.

2. Loss Suffered due to Disputes between the Labor and the Capital during the Most Recent Year and the Current Year Up to the Date of Publication of the Annual Report, Estimated Amount of Current and Potential Occurrence and Future Corresponding Actions

(A) Current major agreement between the labor and the capital and the implementations

The Company has always valued labor and capital relationship. In addition to the compliance to Labor Standard Act and relevant regulations, the Company have additional welfare and measures superior then the laws and regulations. To maintain the communication environment without obstacles, the Company regularly holds seasonal meetings with employees, meetings between the labor and the capital, business orientation, etc. to communicate important messages and policies in both directions during the meeting. Meanwhile, the Company provides electronic communication platform and physical mailbox as in "mails to general managers", "email for illegal violations and sexual harassment complaints" and "mail box for employees' opinions" to collect, understand and solve employees' difficulties and ensure both parties jointly participated and communicated sufficiently.

(B) The Company did not suffer loss due to disputes between the labor and the capital during the most recent year and the current year up to the date of publication of the annual report.

V. Work Environment and the Protection Measures for the Personal Safety of Employees

Regarding the importance of work environment and employees' personal safety protection measures, relevant operations in the factory are compiled to OHSAS 18001 management system structure. The Company passed OHSAS 18001 Occupational Health and Safety Management System Certification recognized internationally. The substantial measures are as follows:

- Plans for Preventing Occupational Disaster

  To make efforts in achieving the objective of zero disaster, the Company proposed annual plans for preventing occupational disasters at the end of each year and detailed implementation program according to the plan and then faithfully implement the program according to the schedule and content in the plan. Next, the Company discovered the implementation defects through audit system and reviewed the implementation outcome during the occupational health and safety committee meeting held every season. In addition, the Company continued to reduce the hazardous risks in business units gradually each year through PDCA methods to achieve the final objective of zero disasters.

- Implementations of Job Safety Analysis (JSA)

  Safety is always the prioritized requirement in work. The purpose of safe work is to reduce the occurrence of accidents and human errors. To effectively eliminate or control the potential hazards in the relevant procedures of production and manufacturing, the Company is devoted in the implementations of Job Safety Analysis (JSA) and hoping to discover and put an end to hazardous factors at work, confirm the trainings, qualifications and equipment required for work safety and raise the value of work safety in all employees.

- Detection of on-site operation environment

  When implementing detection of operation environment, the Company proposed detection plan on operation environment including sampling strategies, starting from the collection of basic information, raw materials, production procedures, clearance of hazardous. Then after planning the similar exposure group through observation, interview and investigation, the Company implemented sampling on the exposures with greatest possibility. Detection items include Carbon dioxide (CO2), noise, illuminance, organic solvents (isopropanol, ethanol, acetone, etc.), inorganic acids (hydrofluoric acid, sulfuric acid, hydrochloric acid, etc.), ammonia, chlorine, etc.

- Employees' health management and care

  The Company conducts general physical examination and health examination in accordance with "Labor Health Protection Rules". The items include chest X-rays, blood pressure, blood, urine check, etc. Regarding operation items with specific hazards to health, such as noise, organic solvents, free radiation and dust operation, etc., special health examination will be conducted.

- Regular implementations of relevant educational trainings on environment, safety and health for employees

  To effectively enhance the environment health and safety awareness of all employees and build positive corporate culture, the Company regular holds relevant environment health and safety educational trainings. There are various items, such as fire prevention trainings, trainings for evacuation guide, safety training for machines and equipment, environment safety management trainings for changes to engineering work, ERT PPE trainings for new coming engineers, certification trainings for supervisors of contractors, safety training for motorcycles, etc.

- Strengthened emergency rescue capability within the factory

  When emergency situations occurred in the factory, to fight for the time to rescue our colleagues' life, the Company established AED (Automated External Defibrillator) in all factories as rescue equipment and arranged professional lecturers to open multiple teaching courses on the implementation procedures for the newest version of CPR+AED so that everyone can provide the most efficient and effective assistance during emergency situations to save priceless life.

- Implementations of maternity health protection measures

  To enable the female employees to have a healthy body and mind to give birth to healthy children, the Company specifically planned maternity health protection measures, including one-on-one consultation services from doctors stationed at the factory, provision of rights card for pregnant women and explanations, etc. to implement health protection of women of childbearing age and provide female colleagues with work environment that can take care of work and family simultaneously.

- Activities promoting employees' health

  According to the body examination results of colleagues in the past, the major problems discovered are overweight, high cholesterol and high waistline. Overweight or obesity could easily lead to metabolic syndrome and increase the probability of diabetes, hypertension, coronary heart disease. To encourage our colleagues to become health and fit, the Company launched series of weight loss activities, such as seminars on healthy diet, aerobic exercise and weight loss competition, etc., provided new knowledge for health and weight loss to our colleagues in order to control and adjust to uniform posture through diet control and exercise. In addition, the Company also holds health promotion activities, such as Iiver protection health examination, blood donation activities, mind seminars so that our colleagues can have healthier body and mind.

VI. Management on Suppliers and Contractors

The Company developed Procedures for Managing Suppliers, Procedures for Managing Green Supply Chain and Procedures Combining Procurement and regularly evaluated the suppliers. Its results will serve as references when selecting suppliers.

Regarding the contractors contracting all kinds of engineering work or providing labor operations to Lextar Electronics, in addition to compliance in the certificate required by Occupational Safety and Health Act, the Company even conducted the following three stages for the health and safety management of contractors to ensure the reduction on the occurrence of occupational disasters.

1. Quotation stage

   During the quotation stage of all the contractors, the Company will provide "Notice of Hazards before delivering Contract Work" so that the contractors can understand relevant safety and health regulations before submitting the quotation and allocate sufficient safety protection expenses and appoint appropriate management personnel.

2. Before construction

   All the vendors are required to receive hazards awareness training before entering the factory to ensure the contractors understand the risks in the construction area and relevant response measures before constructing. In addition, when there are hazardous operations involved, the Company stipulated that the contractors shall apply for construction sheet and relevant hazardous operation sheet (fire use/high shelf/confinement/hanging) before construction. The contractors can start the construction after receiving the approval from outsourcing department and chief officer of the construction zone. Environment and safety personnel will audit whether the contractors have relevant certificates, qualifications and proper preparations for safety protection measures before the operation. When conducting high-risk operations, it shall hold meetings before the construction to comprehensively consider various risks to avoid the occurrence of accidents.

3. During the construction

   During the construction, the colleagues of the outsourcing department of the Company and the supervisors of the contractors shall be responsible for construction management and safety supervision. Environment safety personnel shall conduct audit work without warning. If discovered those violating operation regulations, it shall ask them to improve immediately or even suspend their work before their improvement was approved if necessary.

VII. Major Contracts

Property of the contracts	Parties	Starting/end date of the contract	Major contents	Articles on limitations

Equity investment	Cree International S.à r.l.	In accordance with the contract	Shareholders' rights and interests	In accordance with the contract
Licensing	Cree, Inc.	In accordance with the contract	Brand and technology licensing	In accordance with the contract
Licensing	GE Technology Development, Inc.	In accordance with the contract	Technology licensing	In accordance with the contract
Licensing	TOYODA GOSEI CO., LTD.	In accordance with the contract	Technology licensing	In accordance with the contract

Financial Information

I. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five Years

1. International Financial Reporting Standards ─Consolidated Financial Statements

Condensed Consolidated Balance Sheet

Unit: NT$1,000

Item \ Year		Financial data of the most recent five years				
		2015	2016	2017	2018	2019
Current Assets		13,595,673	11,429,945	10,619,063	10,025,641	8,079,738
Property, Plant, and Equipment		7,705,603	6,576,352	3,924,644	4,671,564	4,461,090
Intangible Assets		17,388	16,289	15,190	14,092	111,712
Other Assets		1,075,174	1,142,656	838,951	1,033,058	2,175,844
Total Assets		22,393,838	19,165,242	15,397,848	15,744,355	14,828,384
Current Liabilities	Before Distribution	5,378,741	6,678,904	3,697,540	4,351,427	3,041,453
	After Distribution	5,742,944	6,678,904	3,800,014	4,453,757	Note 2
Non-Current Liabilities		3,013,614	7,971	318,671	37,481	601,810
Total Liabilities	Before Distribution	8,392,355	6,686,875	4,016,211	4,388,908	3,643,263
	After Distribution	8,756,558	6,686,875	4,118,685	4,491,238	Note 2
Equity Attributed to Stockholders of the Parent Company		14,001,483	12,478,367	11,279,163	11,354,355	10,880,347
Common stock		6,026,135	5,623,424	5,123,744	5,116,514	5,193,864
Capital surplus		6,973,068	6,596,029	6,118,682	6,114,952	6,106,196
Retained Earnings	Before Distribution	1,144,394	170,279	298,026	330,593	(8,078)
	After Distribution	896,724	170,279	298,026	301,283	Note 2
Other components of equity		191,791	88,635	(261,289)	(207,704)	(411,635)
Treasury Stock		(333,905)	-	-	-	-
Non-Controlling Interests		-	-	-	1,092	304,774
Total equity	Before Distribution	14,001,483	12,478,367	11,381,637	11,355,447	11,185,121
	After Distribution	13,637,280	12,478,367	11,279,163	11,253,117	Note 2

Note 1: The aforementioned financial information has been audited by CPAs.
Note 2: Resolution for the information during the current year up to the date of publication of the annual report was not yet made during the shareholders’ meeting.
Note 3: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial data of the most recent five years				
	2015	2016	2017	2018	2019
Operating Revenue	14,230,534	13,788,596	12,039,268	11,055,223	9,054,933
Gross Profit	1,597,574	784,455	1,797,246	1,560,479	873,661
Operating Income/Loss	130,799	(681,664)	192,530	(78,028)	(988,480)
Non-Operating Income/ Expenses	173,599	(28,581)	(48,485)	157,542	625,572
Profit/Loss before Tax	304,398	(710,245)	144,045	79,514	(362,908)
Profit/Loss from Continuing Operations	269,748	(728,047)	129,495	49,384	(365,052)
Loss from Discontinued Operations	-	-	-	-	-
Net Income (loss)	269,748	(728,047)	129,495	49,384	(365,052)
Other Comprehensive Income/Loss	98,027	(125,941)	(314,151)	9,999	(133,304)
Total Comprehensive Income/Loss	367,775	(853,988)	(184,656)	59,383	(498,356)
Profit/Loss Attributed to Owners of Parent	275,189	(728,047)	129,495	49,292	(309,651)
Profit/Loss Attributed to Non-controlling Interests	(5,441)	-	-	92	(55,401)
Comprehensive Income/Loss Attributed to Non-controlling Interests	373,955	(853,988)	(184,656)	59,291	(442,955)
Comprehensive Income/Loss Attributed to Non-controlling Interests	(6,180)	-	-	92	(55,401)
Earnings Per Share	0.45	(1.28)	0.25	0.10	(0.61)

Note 1: The aforementioned financial information has been audited by CPA
Note 2: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

2. International Financial Reporting Standards ─Parent Company Only Financial Statement

Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial data of the most recent five years				
		2015	2016	2017	2018	2019
Current Assets		12,087,003	9,453,524	5,854,128	6,947,001	5,629,088
Property, Plant, and Equipment		4,782,966	3,781,000	3,299,709	3,158,849	2,731,837
Intangible Assets		17,388	16,289	15,190	14,092	12,944
Other Assets		4,678,982	4,594,449	4,622,636	4,646,639	5,135,638
Total Assets		21,566,339	17,845,262	13,791,663	14,766,581	13,509,507
Current Liabilities	Before Distribution	4,551,395	5,539,809	2,098,765	3,344,703	2,258,082
	After Distribution	4,915,598	5,539,809	2,201,239	3,447,033	Note 2
Non-Current Liabilities		3,013,461	7,086	311,261	67,523	371,078
Total Liabilities	Before Distribution	7,564,856	5,366,895	2,410,026	3,412,226	2,629,160
	After Distribution	7,929,059	5,366,895	2,512,500	3,514,556	Note 2
Equity Attributed to Stockholders of the Parent Company		14,001,483	12,478,367	11,381,637	11,354,355	10,880,347
Common stock		6,026,135	5,623,424	5,123,744	5,116,514	5,193,864
Capital surplus		6,973,068	6,596,029	6,118,682	6,114,952	6,106,196
Retained Earnings	Before Distribution	1,144,394	170,279	298,026	330,593	(8,078)
	After Distribution	896,724	170,279	298,026	301,283	Note 2
Other components of equity		191,791	88,635	(261,289)	(207,704)	(411,635)
Treasury Stock		(333,905)	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total equity	Before Distribution	14,001,483	12,478,367	11,381,637	11,354,355	10,880,347
	After Distribution	13,637,280	12,478,367	11,279,163	11,252,025	Note 2

Note 1: The aforementioned financial information has been audited by CPAs.

Note 2: Resolution for the information during the current year up to the date of publication of the annual report was not yet made during the shareholders' meeting.

Note 3: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

Condensed Statement of Comprehensive Income

Unit: NT$1,000

Item \ Year	Financial data of the most recent five years				
	2015	2016	2017	2018	2019
Operating Revenue	12,274,464	11,167,360	8,817,477	7,054,017	6,213,647
Gross Profit	894,603	429,616	1,122,815	1,135,040	1,158,936
Operating Income/Loss	(288,707)	(742,828)	(91,141)	(60,497)	(182,496)
Non-Operating Income/ Expenses	594,612	22,177	225,219	136,782	(127,155)
Profit/Loss before Tax	305,905	(720,651)	134,078	76,285	(309,651)
Profit/Loss from Continuing Operations	275,189	(728,047)	129,495	49,292	(309,651)
Loss from Discontinued Operations	-	-	-	-	-
Net Income (loss)	275,189	(728,047)	129,495	49,292	(309,651)
Other Comprehensive Income/Loss	98,766	(125,941)	(314,151)	9,999	(133,304)
Total Comprehensive Income/Loss	373,955	(853,988)	(184,656)	59,291	(442,955)
Profit/Loss Attributed to Owners of Parent	275,189	(728,047)	129,495	49,292	(309,651)
Profit/Loss Attributed to Non-controlling Interests	-	-	-	-	-
Comprehensive Income/Loss Attributed to Non-controlling Interests	373,955	(853,988)	(184,656)	59,291	(442,955)
Comprehensive Income/Loss Attributed to Non-controlling Interests	-	-	-	-	-
Earnings Per Share	0.45	(1.28)	0.25	0.10	(0.61)

Note 1: The aforementioned financial information has been audited by CPAs.
Note 2: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

3. CPA's Names and Auditing Opinions during the Most Recent Five Years

(A) CPA's Names and Auditing Opinions during the Most Recent Five Years

Year	Name of the Accounting Firm	CPA's Name	Auditing Opinion
2015	KPMG International	Mei Ping Wu, Yung Hua Huang	Unqualified Opinion
2016	KPMG International	Mei Ping Wu, Yung Hua Huang	Unqualified Opinion
2017	KPMG International	Mei Ping Wu, Yung Hua Huang	Unqualified Opinion
2018	KPMG International	Cheng Chien Chen, Yung Hua Huang	Unqualified Opinion
2019	KPMG International	Cheng Chien Chen, Sheng Ho Yu	Unqualified Opinion

(B) Explanations for the Reasons to Change CPA during the Five Most Recent Years

1. Due to the internal organization adjustment of the accounting firm, 2015 financial report was audited by the CPAs, Mei Ping Wu and Yung Hua Huang from KPMG International.
2. Due to the internal organization adjustment of the accounting firm, 2018 financial report was audited by the CPAs, Cheng Chien Chen and Yung Hua Huang from KPMG International.
3. Due to the internal organization adjustment of the accounting firm, 2019 financial report was audited by the CPAs, Cheng Chien Chen and Sheng Ho Yu from KPMG International.

II. Financial Analysis during the Five Most Recent Years

1. International Financial Reporting Standards

Consolidated Financial Analysis

Year / Items Analyzed		Financial data of the last five years				
		2015	2016	2017	2018	2019
Financial Structure (%)	Debt Ratio	37	35	26	28	25
	Ratio of Long-term Capital to Property, Plant and Equipment	221	190	298	244	264
Solvency (%)	Current Ratio	253	171	287	230	266
	Quick Ratio	193	133	235	183	217
	Interest coverage ratio	4	(13)	4	9	(13)
Operating Ability (%)	Receivables Turnover Ratio (times)	2.83	2.97	3.15	3.28	3.06
	Average Collection Days	129	123	116	111	119
	Inventory Turnover (times)	4.33	5.00	5.36	5.80	5.54
	Accounts Payable Turnover Ratio	3.90	3.74	3.27	3.69	3.97
	Average Days in Sales	84	73	68	63	66
	Property, Plant, & Equipment	1.66	1.93	2.29	2.57	1.98
	Total Assets Turnover (times)	0.61	0.66	0.70	0.71	0.59
Profitability	Return on Assets (%)	1.47	(3.30)	1.00	0.37	(2.26)
	Return on Equity (%)	1.87	(5.50)	1.09	0.43	(3.24)
	Pre-tax income to paid-in capital (%)	4.97	(12.19)	2.68	1.55	(7.04)
	Net Margin (%)	1.90	(5.28)	1.08	0.45	(4.03)
	Earnings Per Share (NT$)	0.45	(1.28)	0.25	0.10	(0.61)
Cash Flow	Cash flow Ratio (%)	43.44	26.92	45.89	12.59	29.11
	Cash flow Adequacy Ratio (%)	96.26	126.22	126.70	99.23	119.81
	Cash flow Reinvestment Ratio (%)	6.25	6.09	7.41	1.93	3.43
Leverage	Operating Leverage	17.49	Note 2	6.33	Note 2	Note 2
	Financial Leverage	3.00	Note 2	1.36	Note 2	Note 2

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):

1. Decrease in interest coverage ratio: This is due to the net loss after tax in 2019.
2. Decrease in Property, Plant, & Equipment Turnover: This is due to the decrease in revenue.
3. Decrease in both return on assets and return on equity: This is due to the net loss after tax in 2019.
4. Decrease in ratio of pre-tax income to paid-in capital, net margin and earnings per share: This is due to the net loss before tax and after tax in 2019.
5. Increase in cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio: This is mainly due to the decrease in accounts payable, resulting in decrease in current liabilities.

Note 1: The aforementioned financial information has been audited by CPAs.
Note 2: The Company has net operating loss, hence, it is not applicable.
Note 3: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

Parent Company Only Financial Analysis

Items Analyzed		2015	2016	2017	2018	2019
	Year	Financial data of the last five years				
Financial Structure (%)	Debt Ratio	35	30	17	23	19
	Ratio of Long-term Capital to Property, Plant and Equipment	356	330	354	362	412
Solvency (%)	Current Ratio	266	176	279	208	249
	Quick Ratio	208	146	227	180	224
	Interest coverage ratio	5	(13)	4	11	(72)
Operating Ability (%)	Receivables Turnover Ratio (times)	2.26	2.20	2.20	2.17	2.24
	Average Collection Days	162	166	166	168	163
	Inventory Turnover (times)	4.78	5.69	6.88	6.99	7.75
	Accounts Payable Turnover Ratio (times)	3.79	4.02	3.74	3.10	2.66
	Average Days in Sales	76	64	53	52	47
	Property, Plant, & Equipment (PPE) Turnover (times)	2.17	2.61	2.49	2.18	2.11
	Total Assets Turnover (times)	0.55	0.57	0.56	0.49	0.44
Profitability	Return on Assets (%)	1.52	(3.48)	1.09	0.39	(2.17)
	Return on Equity (%)	1.91	(5.50)	1.09	0.43	(2.79)
	Pre-tax income to paid-in capital(%)	4.99	(12.37)	2.50	1.49	(6.01)
	Net Margin (%)	2.24	(6.52)	1.47	0.70	(4.98)
	Earnings Per Share (NT$)	0.45	(1.28)	0.25	0.10	(0.61)
Cash Flow	Cash flow Ratio (%)	26.71	29.55	81.39	43.66	62.16
	Cash flow Adequacy Ratio (%)	123.65	119.15	131.33	122.04	197.84
	Cash flow Reinvestment Ratio (%)	2.09	5.32	7.61	6.23	6.25
Leverage	Operating Leverage	Note 2	Note 2	Note 2	Note 2	Note 2
	Financial Leverage	Note 2	Note 2	Note 2	Note 2	Note 2

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):

1. Increase in current ratio and quick ratio: This is due to the decrease in accounts payable, resulting in decrease in current liabilities.
2. Decrease in interest coverage ratio: This is due to net loss after tax in 2019.
3. Decrease in return on assets and return on equity: This is due to net loss after tax in 2019.
4. Decrease in ratio of pre-tax income to paid-in capital, net margin and earnings per share: This is due to the net loss before tax and after tax in 2019.
5. Increase in cash flow ratio and cash flow adequacy ratio: This is due to the decrease in accounts payable, resulting in decrease in current liabilities.

Note 1: The aforementioned financial information has been audited by CPAs.
Note 2: The Company has net operating loss, hence, it is not applicable.
Note 3: The Company does not have the 2020 financial information audited or reviewed by CPAs during the current year up to the date of publication of the annual report.

The calculation formula is shown below:

1. Financial structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment= (total equity + non-current liabilities) / net property, plant and equipment.

2.Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets –inventories – prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net income before income tax and interest expense/interest expense over this period.

3. Operating ability

(1)Receivables turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable resulted from business operation).

(2) Average collection days = 365 / receivables turnover

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable resulted from business operation).

(5) Average days in sales = 365 / inventory turnover

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.

(7) Total assets turnover = net sales / average total assets.

4. Profitability

(1) Return on assets = [net income + interest expense × (1 - tax rate)] / average total assets.

(2) Return on equity = net income / average total equity.

(3) Net margin = net income / net sales.

(4) Earnings per share = (net income attributable to shareholders of the parent company - preferred stock dividend) / weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities

(2) Cash flow adequacy ratio = (net cash flow from operating activities for the most recent five year / (capital expenditure + inventory increase + cash dividend) for the most recent five year

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (total fixed assets gross value of property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage

(1) Operating leverage = (net operating revenue - variable operating cost and expenses) / operating income.

(2) Financial leverage = operating income / (operating income- interest expense).

III. Audit Committee Review Report

Audit Committee Review Report

The Board of Directors has prepared the Company's Business Report, Financial Statements, and Deficit Compensation Statement for the year of 2019. Cheng Chien Chen and Sheng Ho Yu, Certified Public Accountants of KPMG, have audited the Financial Statements. The 2019 Business Report, Financial Statements, and Deficit Compensation Statement have been reviewed and determined to be correct and accurate by the Audit Committee of Lextar Electronics Corp. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Best Regards
2020 General Shareholders' Meeting of LEXTAR ELECTRONICS CORP.

Convener of the Audit Committee

March 10, 2020

IV. Consolidated Financial Statement and Accountants' Audit Report during the Most Recent Year:

Please refer to Appendix 1 (Page 115 to 197).

V. Parent Company Only Financial Report and Accountants' Audit Report during the Most Recent Year:

Please refer to Appendix 2 (Page 198 to 281).

VI. The impact of financial difficulties occurring in the Company and its affiliated companies in the most recent year and the current year up to date of publication of the annual report on the financial position of the Company:

None.

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

I. Financial Position

Unit: NT$1,000; %

Item \ Year	2018	2019	Differences	
			Amount	%
Current Assets	10,025,641	8,079,738	(1,945,903)	(19)
Long-term Investment	356,014	403,978	47,964	13
Fixed assets	4,671,564	4,461,090	(210,474)	(5)
Intangible Assets	14,092	111,712	97,620	693
Other Assets	677,044	1,771,866	1,094,822	162
Total Assets	15,744,355	14,828,384	(915,971)	(6)
Current Liabilities	4,351,427	3,041,453	(1,309,974)	(30)
Long-term Borrowings and Others	37,481	601,810	564,329	1506
Total Liabilities	4,388,908	3,643,263	(745,645)	(17)
Common Stock (including capital collected in advance)	5,116,514	5,193,864	77,350	2
Capital Surplus	6,114,952	6,106,196	(8,756)	-
Retained Earnings	330,593	(8,078)	(338,671)	(102)
Other Equity	(207,704)	(411,635)	(203,931)	98
Non-controlling Interests	1,092	304,774	303,682	27,810
Total Equity	11,355,447	11,185,121	(170,326)	(1)

Explanations for changes:

1. Increase in the intangible assets: This is mainly because the Company newly added merged subsidiaries and increased the core technologies during this period.
2. Increase in other assets: This is mainly because the Company added right-of-use assets and investment property in accordance with International Financial Reporting Standards No. 16 during this period.
3. Decrease in current liabilities: This is mainly because payable accounts payable, and the Company sold out the payable corporate bonds due within a year.
4. Increase in long-term borrowings and others: This is mainly because lease liabilities were added during this period.
5. Decrease in retained earnings: This is mainly because of the net loss during this period.
6. Decrease in other equity: This is mainly because the fluctuations in exchange rate caused decrease in the exchange differences converted by the financial statement of overseas business institutes.
7. Increase in non-controlling interests: This is mainly because the Company newly added merged subsidiaries and the non-controlled ratio increased.

II. Financial Performance

1. Comparison Table for Financial Performances

Unit: NT$1,000; %

Items \ Year	2018	2019	Increase/Decrease amount	Percentages of changes (%)
Net Operating Revenue	11,055,223	9,054,933	(2,000,290)	(18)
Cost of Goods Sold	9,494,744	8,181,272	(1,313,472)	(14)
Gross Profit	1,560,479	873,661	(686,818)	(44)
Operating Expenses	1,638,507	1,862,141	223,634	14
Operating Income	(78,028)	(988,480)	(910,452)	1,167
Non-operating Income and Expenses	157,542	625,572	468,030	297
Net Income before Tax	79,514	(362,908)	(442,422)	(556)
Income Tax Expenses	30,130	2,144	(27,986)	(93)
Net Income for the Year	49,384	(365,052)	(414,436)	(839)

Explanations for Changes:

1. Decrease in gross profits and net operating income: This is mainly because the China-US trade war affected terminal demands; the imbalance in the supply and demands in the industry was not relieved; and the operating revenue decreased. As a result, both the gross profit and net operating income decreased.
2. Increase in the non-operating income and expenses: This is mainly because disposal of the assets of subsidiaries await to be sold during this period.
3. Decrease in income tax expenses: This is mainly due to the deferred tax.

2. Expected Sales Amount, its Basis, Potential Impact on the Company's Future Finance and Business, and the Corresponding Actions.

The major product of the Company is InGaN Epi Wafer & Chips, assembly and its modules and final products. Business units determined the expected sales amount based on the sales prediction of the current products, development progress of the new products, design-in progress of the customers and the predicted value on the production demands of the customers and considered the plans and business development strategies of self-production capabilities. It is estimated the sales amount is expected to grow continuously in 2020. Since the Company has developed its business stably and in terms of finance, the Company supply capital expenses through long-term fund source, it is unlikely to have major impact of insufficiency in funds within a short time. Regarding the products required for sales, the Company has no problems with the supply of products required for sales since we have firm collaboration relationship with the upstream vendors and currently, global LED application trend rises continuously.

III. Cash Flow

1. Explanations for the Analysis of Changes to Cash Flow during the Most Recent Year

Unit: NT$1,000; %

Item \ Year	2018	2019	Increasing/Decreasing Ratio (%)
Cash Flow Ratio (%)	12.59	29.11	131
Cash Flow Adequacy Ratio (%)	99.23	119.81	21
Cash Reinvestment Ratio (%)	1.93	3.43	78

Analysis on Changes:

1. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: This is mainly because the accounts payable were reduced, resulting in decrease in current liabilities.

2. Improvement Plan for Insufficient Liquidity: None.

3. Analysis on the Cash Liquidity in the Future Year

Unit: NT$1,000

Cash and cash equivalents, beginning of Year (1)	Annual net cash flow from operating activities (2)	Annual cash inflow (outflow) (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Remedies for insufficiency in cash	
				Investment plan	Financial plan
3,372,535	13,847	(966,283)	2,420,099	-	-

Analysis on the changes in cash flow in 2020:

1. The annual cash inward flow comes mainly from the net cash inward flow in its business activities while the cash outward flow comes mainly from the capital expenditure. Since it was estimated that the cash balance is still sufficient, there are no plans for fundraising activities, such as fundraising or borrowings, currently.

2. Under the premise of maintaining stable cash liquidity, the Company will carefully plan, control and manage relevant cash expenses in investment and operation based on the cash balance on the book, cash flow of business activities and investment activities and by considering the financial market status

IV. Major Capital Expenditure during the Most Recent Year on the Finance and Business

Major Capital Expenditure during the Most Recent Year

Unit: NT$1,000

Plans	Fund Resources	Total Required Funds	Fund Application Situation				
			2015	2016	2017	2018	2019
Land and Plants	Self-own funds	1,035,815	-	-	276,397	688,489	70,929
Production and other equipment	Self-owned Funds, long-term borrowings from the bank and capital increase by cash	3,010,077	624,023	509,569	276,688	710,055	889,742

Impact on Finance and Business

The Company was established in 2008. In 2008, the Company invested the subsidiary in China, Lextar Electronics (Suzhou) Corp. In 2013, the Company merged with Wellypower Optronics Corp. and acquired its subsidiaries in China, WELLYPOWER (Suzhou) Co., Ltd. As the manpower costs increased in Suzhou, it results in lower profits in LED products and in addition, local environment protection regulation had become stricter, which limited the promotion of self-production business of key components for illumination. As a result, these matters facilitated the Company to actively searching for a region where the costs and environment protection regulation suit the development of LED illumination industry. To optimize the layout in China's market, the Company established Anhui Chuzhou Factory by the resolution made during the board of directors' meeting in 2017 and transferred the production capability in Suzhou plant to Chuzhou plant. During the second half of 2017 to 2018, the Company consecutively conducted construction off plants and production capability transfer and introduced accessory supply chain to carry out the production and manufacture mode with one-stop upstream and downstream integration.

The manufacturers of LED in China had thick capitals and huge production capabilities. On one hand, they lowered the costs to influence market price; on the other hand, they subverted the patent barrier or opened up overseas market through active merger with international LED factory or brands. Under the situation of excessive production capability and price competition, the operating income and profit of LED operators were seriously influenced. The Company's revenue started to decrease gradually since 2015. However, in 2019, the Company can still maintain the revenue of 9,050 million and actively develop automobile illumination and move towards the layout of new technologies in sensing, Mini / Micro LED, UV, etc. The aforementioned capital expenditure had major contribution of the Company's business and technology development. The fund source for capital expenses by the Company and its subsidiaries came from the multiple capital increase by cash since its establishment till today and the operating profits in order to supply the capital expenditure with stable funds in a long period without causing major impact on the finance of the Company and its subsidiaries.

V. Investment Policy, Major Reasons for Its Profit or Loss, Improvement Plan, and the Investment Plan for the Coming Year

(A) The investment policy during the most recent year

The Company's major investment policy is long-term strategic collaboration.

(B) Major reasons for profit or loss from investment

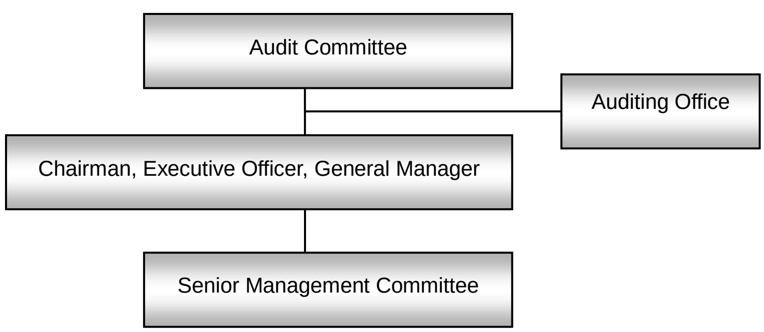
The Company recognized investment profits of NT$7,084,000 in 2019. This is mainly because the Company adopted the equity method to recognize the profit and loss of affiliates and joint venture as the amount of the Company.

(C) Investment plan for the coming year

The Company reviewed and evaluated the investment plan from a long-term strategic angle to respond to the future market and the demands of expanding the production capability in order to strengthen global competitiveness.

VI. Risk Items and Its Analysis and Evaluation Items

1. Organizational Structure for Risk Management



Explanations for the Organization:

Auditing Office: It evaluates the potential risks on relevant business operations of the Company, establishes annual audit plan, assists the board of directors to audit and track defects to improve business risks, and attends the audit committee meetings to report on various risks regularly.

Senior Management Committee: It was composed of highest chiefs of each division to execute the risk management decision and coordinate with cross-division risk management and communications.

II. Impact of Changes in Interest Rate, Currency Exchange Rate, Inflation and Deflation on the Company's Profit and Loss and the Corresponding Actions in the Future

(A) Impact of changes to interest rate

1. Impact on the Company's profit and loss

The interest rate risk of the Company and its subsidiaries came from the interest-bearing financial tools with changing interest rate. In accordance with the sensitivity analysis of interest risk exposure from non-derivative tools on the Company and its subsidiaries conducted on Dec. 31, 2019, for every increasing/decreasing rate of market interest rate, the Company and its subsidiaries' 2019 consolidated net income before tax will increase/decrease NT$9,467,000 under the situation where all other variables maintained the same. However, the Company does not have financial liabilities with changing interest rate as of Dec. 31, 2019. Hence, changes to interest rate does not have a huge impact on the Company and its subsidiaries' consolidated net income.

2. Future corresponding actions

To hedge the impact of changes to interest rate, the Company and its subsidiaries adopted the following countermeasures depending on the situation:

A. Improving the financial structure: In the future, the Company will reduce bank financing amount at an appropriate time depending on the business status and fund demands.

B. The Company and its subsidiaries will irregularly evaluate the interest rate of borrowings from the bank, maintain a good relationship with the bank to obtain preferential interest rate and adjust the fund application at appropriate time depending on the interest rate to reduce the impact of the changes to interest rate on the Company's profit and loss.

(B) Impact of changes to currency exchange rates

1. Impact on the Company's profit and loss Unit: NT$1,000; %

Year / Item	2019
Net operating revenue (1)	9,054,933
Net operating income (loss) (2)	(988,480)
Net profit (loss) from currency exchange (3)	(25,974)
(3)/(1)	-0.29%
(3)/(2)	2.63%

The consolidated net exchange loss in 2019 is NT$25,974,000, which accounted for -0.29% and 2.63% of the annual operating revenue and operating loss, respectively.

2. Future corresponding actions

Export sales market accounted relatively large in the Company and its subsidiaries' operating income. Hence, changes in the exchange rate of USD would have an impact on the Company and its subsidiaries' profit and loss. In addition to paying attention to the fluctuations in exchange rate in the international market, the Company continues to conduct the following corresponding measures:

A. Financial department maintained close contact with the foreign currency department of the corresponding financial institute, collected relevant information for the changes in exchange rate at all times and sufficiently got hold of the information on the trend and changes to the exchange rate around the world as the reference basis for forward exchange purchase and sale and settlement of exchange.

B. Financial department regularly prepared internal evaluation report for the hedging position on net assets (liabilities) in foreign currency and submitted to the management of the Company to determine the hedging measures to be adopted.

C. Before the business unit submitted quotation to customers, it shall consider and evaluate comprehensively on the future trend of exchange rate and the impact factors to decide on an appropriate and reasonable business quotations.

D. The Company shall adopt the same currency for the receivable sale assets in foreign currency and payable procurement liabilities in foreign currency as possible. First, the Company shall use the assets in foreign currency from transactions to write off foreign liabilities to achieve natural hedging effect. When there is net position in foreign currency after writing off assets in foreign currency to the liabilities in foreign currency or there are future demands for funds in foreign currency, the Company may purchase or sell forward exchange to adjust the position in foreign currency to achieve the automatic hedging effect by balancing assets in foreign currency and liabilities in foreign currency.

(C) Impact of inflation and deflation

The major purchase of the Company is from Taiwan and mainland China and the major export sales is to mainland China, Europe, America and other Asian regions. Inflation/deflation did not result in huge impact on the Company's business in 2019. The major purchase/sales of the subsidiaries of the Company come from the parent company and mainland China. The local government of China had policy control over inflation/deflation and hence, inflation/deflation did not result in huge impact on the company's business. However, the Company cannot guarantee that inflation/deflation will not have a huge impact with adverse effect regarding its properties, level or range on the Company and its subsidiaries. However, the Company and its subsidiaries continued to devote in reducing various costs, pay attention to the supply and demand of raw materials and the situation of price changes and adjust the inventory at an appropriate time. In addition, the Company is researching and developing on replacement materials to reduce the costs and seek for reduction in operating costs and hope to reduce its impact on profit and loss.

3. Policy and Major Reasons for Profit or Loss when Engaging High-risk, High-leverage Investments, Capital Lending or Endorsements Guarantees, and Derivative Transactions and the Future Corresponding Actions

Risk Items	Implementations	Policies and Countermeasures
High-risk, high-leverage investments	The Company and its subsidiaries did not engage in high-risk and high-leverage investment matters during the most recent year and the current year up to the date of publication of the annual report.	The Company and its subsidiaries focused on its original business and did not apply its funds in high-risk and high- leverage investments.
Capital lending to others	1. The Company did not loan funds to others during the most recent year and the current year up to the date of publication of the annual report. 2. The company's subsidiaries which the Company holds 100% have conducted capital lending due to fund demands in each subsidiaries.	When making endorsements/guarantees for other, the Company and its subsidiaries complied to "Handling Procedures for Providing Endorsements and Guarantees for Third Parties" and conducted announcement and declaration in accordance with the laws and regulations.
Endorsements/Guarantees	The Company did not make endorsements/guarantees during the most recent year and the current year up to the date of publication of the annual report.	When making endorsements/guarantees for other, the Company and its subsidiaries complied to "Handling Procedures for Providing Endorsements and Guarantees for Third Parties" and conducted announcement and declaration in accordance with the laws and regulations.
Derivative transactions	The Company and its subsidiaries conducted forward exchange trading. This is mainly to hedge the risks in the assets and liabilities in foreign currency resulted from the fluctuations in exchange rate	When conducting derivative trading, the Company and its subsidiaries complied to "Handling Procedures for Conducting Derivative Transactions" and conducted regular evaluations as well as announcement and declaration in accordance with the laws and regulations.

4. Future R&D Plans and Estimated R&D Expenses to be Invested

Please refer to the technology and R&D overview in Operational Highlights of the annual report (Page 51-52).

5. The Impact of Changes to Key Domestic and Foreign Policies and Laws on the Finance and Business and the Corresponding Actions

The Company complied to domestic and foreign relevant laws and regulations on its daily operations and paid close attention to domestic/foreign policy development trend and changes in regulations to sufficiently get hold of the changes to market environment. Hence, the Company has not been subject to significant changes in domestic and foreign policies and laws, which has an impact on the company's finance and business during the most recent year.

6. The Impact of Technological and Industrial Changes on the Finance and Business and the Corresponding Actions

(A) Information safety and management policy

The company developed information security management regulations, including system architecture, system change management, project and resource management, asset and entity environment management, software and hardware authorization and legality, general maintenance, information security, confidentiality and data protection, archives and historical records management, system and service outsourcing management, etc. The Company regularly audits information security matters each year, proposes improvement plan and submits to the board of directors to reduce information security risks, protects the Company's intellectual property, comprehensively improves the information security awareness and creates opportunities for win (profit).

(B) Risk control for information security and network

With the rapid development of network attacks, the Company adopts active information security enhancement operation, imports next-generation firewall, malicious mail filtering system, protection system against the leakage of confidential information, webpage browsing protection, comprehensive deployment of anti-virus software, vulnerability update of operating system, and introduction of all-day information security protection and monitoring services to control and reduce relevant network risks.

(C) Regular information security trainings for employees

In addition to basic and relevant information security training for newcomers, the company also regularly promotes relevant knowledge and information on information security and conducts drills for social engineering by e-mails to reduce the risk of employees clicking malicious e-mail by mistake. The Company also enhanced information security awareness of colleagues to ensure that information security concepts can be integrated into daily operations.

(D) Promotion on information security and enhancement in information security power

To continuously improve information security management, the Company discussed issues related to information security and formulated management policies every year which focused on strengthening the concept of information security and enhancing information security awareness in colleagues. The Company hopes to prevent the unexpected events so as to reduce the probability of information security incidents. In addition, the Company ensured that all mechanisms operate properly through regular audits.

(E) In 2019, there is no major network attach event having an impact on the Company’s business.

7. The Impact of Changes of Corporate Image on the Crisis Management and the Corresponding Actions

Since the establishment of the Company, it complied with relevant laws and regulations, actively strengthened internal management, improved management quality and performance, and maintained labor relations in harmony to maintain a good corporate image. The company's corporate image has not been affected during the most recent year and the current year up to the date of publication of the annual report.

8. Expected Benefits and Possible Risks of Merger and and Acquisition the Corresponding Actions

The Company and its subsidiaries do not have other merger plans during the most recent years and the current year up to the date of publication of the annual report.

9. Expected Benefits and Possible Risks of Plant Expansion and the Corresponding Actions

In 2017, to improve the business performance and cost competitiveness of products, the Company established Lextar Electronics (Chuzhou) Corp. and built a new factory in Chuzhou City, Anhui Province, China. In addition, to optimize the utilization efficiency of assets, the Company sold the factory of Lextar (Suzhou),so that the funds obtained from the sale of the Lextar (Suzhou)'s factory can support the expenditure for constructing the new factory of Lextar (Chuzhou). This matter has no significant impact on the Company's business. The construction of the factory in Chuzhou and the procedure of transferring the production capability from Suzhou to Chuzhou were completed in Nov. 2018. In response to the increasing market demands and the changes to product applications, the Company will continue to improve its production capacity and respond to the changes to market supply and demand by establishing a one-stop business model and complete product line. Except for the factory construction plan in Chuzhou, which is still in progress, there is no other plant expansion plan during the current year up to the date of publication of the annual report.

10. Risks Relating to Excessive Concentration of Purchase or Sales and the Corresponding Actions

(A) Risks encountered during centralized purchase and countermeasures

The main business of the Company is to produce ultra-bright LED Epi Wafer, Chip and Package to light source application. To pursue best quality, the Company's procurement strategies for raw materials comprehensively considered the quality, price, delivery period and cooperation level of the suppliers. The Company is actively searching for excellent suppliers. For each of the major raw materials, the Company maintained more than two suppliers so that the risks of over-centralization in purchasing raw materials can be reduced effectively. In addition, the Company maintained good collaboration relationship with the suppliers. Since the establishment of the Company, the quality and delivery period of each supplier are normal. Matters such as lack of materials or suspended provision have not occurred before. In addition, since the business mode is a one-stop integrated operation of upstream and downstream, it is easier to control and manage the safe inventory of the semi-final products. Meanwhile, the Company maintained specific ratio for outsourcing production capacity with stable supply chain, making the Company having a better risk response structure compared to competing companies.

(B) Risks encountered during centralized sales and countermeasures

The Company focused on vertical integration of LED backlight applications. Its business mode is the one-stop operation from LED, Chip cutting to downstream packaging. This strategy is different from the fixed professional work division mode of domestic LED industry. Its advantage is that vertical integration can accelerate the development of products met customers' demands. The Company applied the existing Economies of scale and its strong upstream and downstream integration advantages to develop diversified backlight module and downstream packaging customers and enter the various market and acquire customers with illumination applications. In practical, it can be divided into 4 directions: 1. Utilize the economic scale of AU Optronics's port to continue develop backlight customers other than AU Optronics; 2. Manage the chip market with the advantage of high brightness chip; 3. Develop OEM services for international factories with vertical integration and systematic management; 4. Develop LED automobile illumination, invisible light and 3D sensing. The Company created competitive advantage with high-skill barriers to embrace the blue ocean. There shall be no risk of centralized sales.

11. Impact and Risks of Major Transfer or Exchange of Shares by the Directors, Supervisors or the Shareholders with More Than 10% Shareholding and the Corresponding Actions

Other than those who have announced and declared in accordance with the law, the Company was not aware of the risks for directors or shareholders with more than 10% shareholdings conducting mass transfer or exchange their shares during the most recent year and the current year up to the date of publication of the annual report.

12. Impact and Risks of Changes to Management Right on the Company and the Corresponding Actions

There is no matters involving changes to management right occurred during the most recent year and the current year up to the date of publication of the annual report.

13. Litigation or Non-litigation Incidents

(A) If the Company is currently undergoing litigation, non-litigation or administrative dispute incident or had been involved in such incidents with determined results during the most recent year and the current year up to the date of publication of the annual report, where the results could have significant impact on shareholders' equity or security price, please state the fact of the dispute, target amount, start date of the litigation, major parties involved in the litigation and the current handling situation:

Benchwalk lighting LLC. filed a civil action against LEXTAR ELECTRONICS CORP. (abbreviated as Lexar hereunder) in the Federal District Court of Delaware in January, 2020, claiming that several Lextar's products infringed 9 of its patents and unspecified amount of monetary compensation and other relevant claims in the petition in accordance with the Patent Law were stated in the notice of appeal. Lextar has entrusted an attorney to handle the case and will continue evaluating the action.

(B) If the Company's director, supervisor, general manager, de facto responsible person, shareholders with over 10% shareholdings of the Company or subordinate company is currently undergoing litigation, non-litigation or administrative dispute incident or had been involved in such incidents with determined results during the most recent year and the current year up to the date of publication of the annual report, where the results could have significant impact on shareholders' equity or security price:

The Company's director , AU Optronics Corporation (abbreviated as AU Optronics hereunder) is currently undergoing litigation, non-litigation or administrative dispute incident or had been involved in such incidents with determined results during the most recent year and the current year up to the date of publication of the annual report as follows:

(Explanations for the litigation incident of AU Optronics were provided by AU Optronics)

Antitrust Civil Action

A number of consumers filed a civil action in Israel against a number of LCD manufacturers, including AU Optronics, in the Central District Court of Israel (hereinafter referred to as the Israeli court). The defendant raised various defenses, including whether this lawsuit is delivered in accordance with the law. In December 2016, the Israeli court ruled that this lawsuit should not be delivered outside Israel, so this lawsuit was invalid. The plaintiff appealed to the Supreme Court of Israel but was rejected by the Supreme Court of Israel in August 2017. In January 2018, the parties reached a settlement agreement and agreed to start the necessary procedures for withdrawing the action. The settlement case was approved by the Central District Court of Lod, Israel in April 2019. In May 2014, Nanjing LG Tontru Color Display System Co., Ltd. and seven of its affiliates filed a civil action in the Central District Court of Seoul, South Korea against several LCD manufacturers, including AU Optronics, claiming overcharge and asking for compensation for damages. AU Optronics does not consider the delivery of this lawsuit is effective. It has entrusted an attorney to handle this lawsuit in order to maintain the interests of the company. Hence, the final result of this case was not yet determined at this stage. AU Optronics continued to evaluate the substantial content of this lawsuit. In addition, in September 2018, AUUS received a civil action from the government of Puerto Rico in the court of first instance of the High Court of San Juan against several LCD manufacturers, including AU Optronics and AUUS, claiming unjust enrichment and asking for unspecified monetary compensation. AU Optronics has entrusted an attorney to handle this action. AU Optronics intends to actively defend this action. Hence, the final result of this case was not yet determined at this stage. AU Optronics continued to evaluate the substantial content of this action.

Patent Related

Vista Peak Ventures, LLC (“VPV”) filed three actions against AU Optronics in the Federal District Court of the Eastern District of Texas in July 2018, claiming the infringement of several U.S. patents held by VPV on TFT LCD panel manufacturing and claiming unspecified monetary compensation for damages and the injunctions for future infringement. Both parties have reached a settlement on September 27, 2019, and VPV has withdrawn all actions against AU Optronics on October 10, 2019.

As of February 5, 2020, the consolidated company evaluated the rationality of the recognized expenses during each period of the financial statement based on the nature of the case, the materiality of the potential loss, the progress of the case and the opinion of the professional consultant, and make necessary adjustments in such manner as the Company deemed appropriate, but the final amount shall not be determined until the relevant case was closed. The consolidated company intends to actively defend the aforesaid pending or ongoing litigation cases. However, the final result of such cases was not yet determined and the potential losses (if any) cannot be estimated accurately at this point. The consolidated company continued to evaluate the substantial content of this action. In addition to the aforementioned litigation events, there are other litigation cases aroused from the normal business activities of the consolidated company, but other litigation cases shall not have a significant adverse impact on the business of the consolidated company.

14. Other Important Risks and Corresponding Actions: None.

VII. Other Important Matters:

Evaluation Basis and Foundations on the Allocation Method for Balance Valuation Subjects

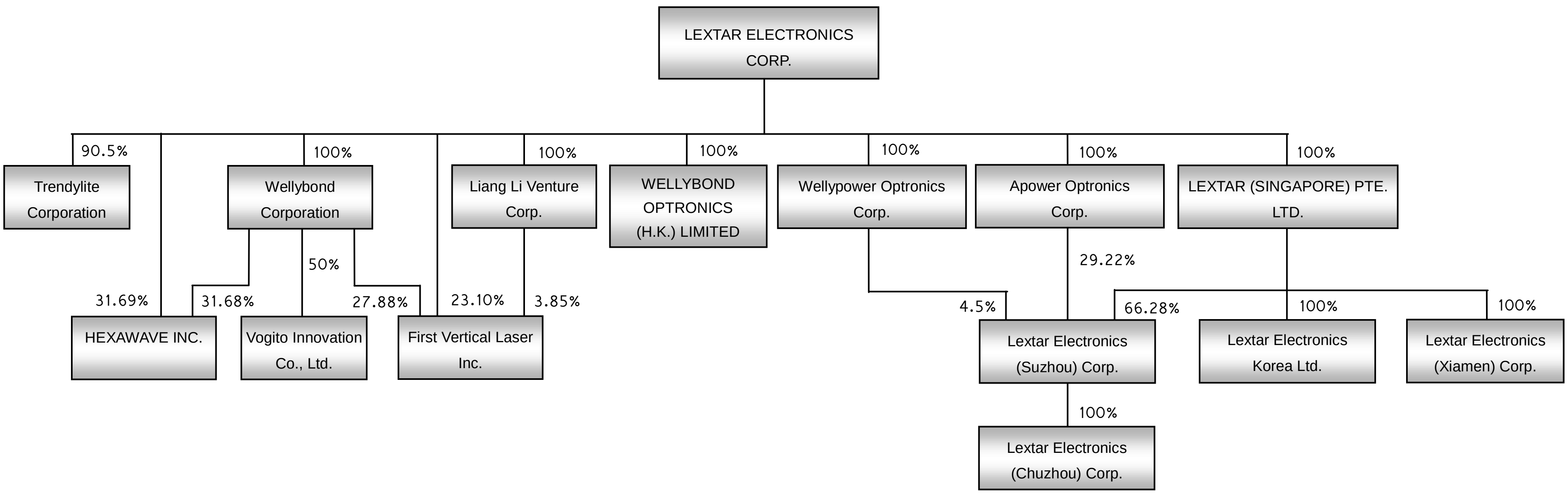
Balance Valuation Subjects	Evaluation Basis	Evaluation Foundations	
		Overdue days for unreceived accounts	Allocation Ratio
Allowances or reserves for loss	Expected loss rate on credit risk	0-30 days	0%~10%
		31-90 days	0%~40%
		91-180 days	0%~90%
		Over 181 days	0%~100%

Special Disclosure

I. Relevant Information of the Affiliates

1. Consolidated Business Report of Affiliates

(A) Organization structure of affiliates (Dec. 31, 2019)



(B) Basic information of affiliates

Until Dec. 31, 2019

Name of Affiliates	Date of Establishment	Address	Paid-in Capital	Major Business or Production Items
Wellypower Optronics Corp. (Abbreviated: Wellypower)	1999.06.08	VISTRA CORPORATE SERVICES CENTRE, WICKHAMS CAY II, ROAD TOWN,TORTOLA, VG1110, BRITISH VIRGIN ISLANNDS	USD 5,153 thousand	General Investment
Apower Optronics Corp. (Abbreviated: Apower)	2003.02.11	VISTRA CORPORATE SERVICES CENTRE, WICKHAMS CAY II, ROAD TOWN,TORTOLA, VG1110, BRITISH VIRGIN ISLANNDS	USD 31,600 thousand	General Investment
Liang Li Venture Corp. (Abbreviated: Liang Li)	2006.05.10	4F., No. 21, Ln. 91, Sec. 2, Chengtai Rd., Wugu Dist., New Taipei City	NT$ 30,000 thousand	General Investment
Wellybond Corporation (Abbreviated: Wellybond)	2008.06.10	4F., No. 21, Ln. 91, Sec. 2, Chengtai Rd., Wugu Dist., New Taipei City	NT$ 400,000 thousand	General Investment
WELLYBOND OPTRONICS (H.K.) LIMITED (Abbreviated: WELLYBOND)	2008.10.15	18A, 18/F, TWO CHINACHEM PLAZA, 68 CONNAUGHT ROAD CENTRAL, HK	USD 500 thousand	General Investment
LEXTAR (SINGAPORE) PTE. LTD. (Abbreviated: LEXSG)	2009.11.23	6 TEMASEK BOULEVARD #09-05 SUNTEC TOWER FOUR SINGAPORE	USD 90,270 thousand	General Investment
Lextar Electronics (Suzhou) Corp. (Abbreviated: Lextar (Suzhou)) (Note)	2010.02.05	No. 259 Changyang Street, Suzhou Industrial Park	USD 120,705 thousand	Manufacturing and sales of LED and its modules
Lextar Electronics Korea Ltd. (Abbreviated: LEXKR)	2010.12.10	3F MJL B/D, Nonhyun-dong 204-5, Gangnam-gu, Seoul	USD 100 thousand	After-sales for LEDs
Trendylite Corporation (Abbreviated: Trendylite)	2013.02.05	4F., No. 1, Keyi St., Zhunan Township, Miaoli County	NT$ 26,600 thousand	Illumination business
Lextar Electronics (Xiamen) Corp. (Abbreviated: Lextar (Xiamen))	2013.12.03	2F, Building P11, No. 3089 Xiang'an North Road, Xiamen Torch High-tech Zone (Xiang'an) Industrial Zone	USD 1,100 thousand	Manufacturing and sales of LED and its modules
Lextar Electronics (Chuzhou) Corp. (Abbreviated: Lextar (Chuzhou))	2017.05.26	No. 2168 Qingliu East Road, Suchu Modern Industrial Park, Chuzhou City, Anhui Province	RMB 630,000 thousand	Manufacturing and sales of LED and its modules
Vogito Innovation Co., Ltd. (Abbreviated: Vogito Innovation)	2018.07.25	4F., No. 1, Keyi St., Zhunan Township, Miaoli County	NT$ 2,000 thousand	Design, R&D and sales of health care products
First Vertical Laser Inc. (Abbreviated: First Vertical Laser)	2017.11.13	4F., No. 1, Keyi St., Zhunan Township, Miaoli County	NT$ 246,801 thousand	Design and Manufacturing of VCSEL
HEXAWAVE INC. (Abbreviated: HEXAWAVE)	1991.02.20	1F., No. 2, Zhanye 2nd Rd., Hsinchu City	NT$ 401,310 thousand	Manufacturing and sales of compound semiconductor materials and modules

Note: The Company merged Lextar (Suzhou) and Wellypower r (Suzhou) July 2019. Lextar (Suzhou) is a surviving company and Wellypower Suzhou is the dissolved company. Relevant settlement procedures were completed Jan. 2020.

(C) Shareholders' information if presumed to have control and subordinate relations: None.

(D) Explain the industry that covers the overall business of the affiliates, work division and business engagement with the affiliates

Name of Enterprise	Major Business or Production Items	Work Division and Business Engagement
Wellypower	General Investment	Not Applicable
Apower	General Investment	Not Applicable
Liang Li	General Investment	Not Applicable
Wellybond	General Investment	Not Applicable
WELLYBOND	General Investment	Not Applicable
LEXSG	General Investment	Not Applicable
Lextar (Suzhou)	Manufacturing and sales of LED and its modules	Manufacturing and assembling relevant products of the parent companies
LEXKR	After-sales for LEDs	Providing after-sales services
Trendylite	Illumination business	Sales of illumination products
Lextar (Xiamen)	Manufacturing and sales of LED and its modules	Manufacturing and assembling relevant products of the parent companies
Lextar (Chuzhou)	Manufacturing and sales of LED and its modules	Manufacturing and assembling relevant products of the parent companies
Vogito Innovation	Design, R&D and sales of health care products	Design, R&D and sales of health care products
First Vertical Laser	Design and Manufacturing of VCSEL	Design and Manufacturing of VCSEL relevant products
HEXAWAVE INC.	Manufacturing and sales of compound semiconductor materials and modules	Manufacturing and sales of relevant products of compound semiconductor

(E) Directors and supervisors of the affiliates

Until Dec. 31, 2019

Name of Enterprise	Job Title	Name or Representative	Shareholding	
			Shares (or Investment Amount)	%
Wellypower	Director	Feng Cheng (David) Su, Teng Huei (Allen) Huang , B.Y. Chang	The Company invested USD 5,153 thousand	100%
Apower	Director	Feng Cheng (David) Su, Teng Huei (Allen) Huang, B.Y. Chang	The Company invested USD 31,600 thousand	100%
Liang Li	Director	LEXTAR ELECTRONICS CORP. Representative: Feng Cheng (David) Su, Teng Huei (Allen) Huang, Mong Lin	The Company held 3,000 thousand shares	100%
	Supervisor	LEXTAR ELECTRONICS CORP. Representative: B.Y. Chang		
Wellybond	Director	LEXTAR ELECTRONICS CORP. Representative: Feng Cheng (David) Su, Teng Huei (Allen) Huang, Mong Lin	The Company held 40,000 shares	100%
	Supervisor	LEXTAR ELECTRONICS CORP. Representative: B.Y. Chang		

Name of Enterprise	Job Title	Name or Representative	Shareholding: Shares (or Investment Amount)	Shareholding: %
WELLYBOND	Director	Feng Cheng (David) Su, Teng Huei (Allen) Huang, B.Y. Chang	The Company invested USD 500	100%
LEXSG	Director	Teng Huei (Allen) Huang, B.Y. Chang, Kai Lin Hsu	The Company invested USD 90,270 thousand	100%
Lextar (Suzhou)	Director	Teng Huei (Allen) Huang, Feng Cheng (David) Su, Louis Lu, Terry Tang, William Wu, Brian Lin, Frank Ho	LEXSG invested USD 120,705 thousand	100%
	Supervisor	B.Y. Chang		
LEXKR	Director	William Wu	LEXSG invested USD 100 thousand	100%
Trendylite	Director	LEXTAR ELECTRONICS CORP. Representative: Feng Cheng (David) Su, Teng Huei (Allen) Huang , Mitch Lee	The Company held 2,407 thousand shares	90.50%
	Supervisor	B.Y. Chang		
Lextar (Xiamen)	Director	Teng Huei (Allen) Huang, Louis Lu, Mong Lin	LEXSG invested USD 1,100 thousand	100%
	Supervisor	B.Y. Chang		
Lextar (Chuzhou)	Director	Teng Huei (Allen) Huang, Feng Cheng (David) Su, Louis Lu, Terry Tang, William Wu, Brian Lin, Frank Ho	Lextar (Suzhou) invested RMB 630,000 thousand	100%
	Supervisor	B.Y. Chang		
Vogito Innovation	Director	Wellybond Corporation Representative: Teng Huei (Allen) Huang ,Terry Tang Qi Da Investment Co., Ltd. Representative: Feng Cheng (David) Su	Wellybond held 100 thousand shares	50%
	Supervisor	B.Y. Chang		
First Vertical Laser	Director	LEXTAR ELECTRONICS CORP. Representative: Teng Huei (Allen) Huang , C.N. Huang, Louis Lu Ching Feng Huang, Kun Ta Wu	The Company held 5,699 thousand shares; Wellybond held 6,879 thousand shares; Liang Li held 950 thousand shares	54.83%
	Supervisor	Liang Li Venture Corp. Representative: B.Y. Chang,		
HEXAWAVE	Director	LEXTAR ELECTRONICS CORP. Representative:Feng Cheng (David) Su, Teng Huei (Allen) Huang , Mong Lin, C.N. Huang, Louis Lu Shengyang Investment Co., Ltd. Representative: Hwei Yu Lin, Shih Hao Lo	The Company held 12,716 thousand shares; Wellybond held 12,715 thousand shares	63.37%
	Supervisor	Wellybond Corporation Representative: B.Y. Chang, Alan Wang		

(F) Business overview of affiliates

Until Dec. 31, 2019; Unit: N$1,000

Business	Currency	Paid-in Capital	Total Assets	Total Liabilities	Net Assets (Note 2)	Revenue	Operating Income /Loss	Net Income for the Year (After Tax)	Earnings per Shares (NT$; After Tax) (Note 1)
Wellypower	USD	5,153	4,978	-	4,978	-	(3)	(812)	-
Apower	USD	31,600	37,726	-	37,726	-	(3)	(5,137)	-
Liang Li	NTD	30,000	21,353	-	21,353	-	(98)	(3,462)	(1.15)
Wellybond	NTD	400,000	298,871	653	298,218	2,696	(9,276)	(42,189)	(1.05)
WELLYBOND	USD	500	391	5	386	-	(8)	-	-
LEXSG	USD	90,270	82,075	335	81,740	-	(12)	2,884	-
Lextar (Suzhou)	RMB	120,705 (USD)	1,735,258	1,013,918	721,340	554,716	22,289	(131,464)	-
LEXKR	Won	100 (USD)	164,450	17,438	147,012	234,033	9,581	11,702	-
Lextar (Xiamen)	RMB	1,100 (USD)	15,154	13,291	1,863	35,465	(13,862)	(14,039)	-
Lextar (Chuzhou)	RMB	630,000	1,301,432	748,943	552,489	1,232,542	(154,729)	(153,566)	-
Trendylite	NTD	26,600	58,170	19,356	38,814	82,344	8,884	7,096	2.67
Vogito Innovation	NTD	2,000	1,756	5	1,751	452	(264)	(268)	(1.34)
First Vertical Laser	NTD	246,801	326,291	75,133	251,158	33,740	(87,245)	(85,094)	(3.45)
HEXAWAVE INC.	NTD	401,310	473,801	67,321	406,480	97,305	(47,305)	(47,285)	(1.18)

Note 1: Calculate the outstanding shares of the Company after Dec. 31, 2019.
Note 2: Including cumulative exchange adjustment number.

2. Consolidated Financial Statement of Affiliates: Please refer to Appendix 1 of the Annual report (Page 88 to 134).

Statement

The Company hereby declared:

The companies that should be included by the Company in the 2019 (from Jan. 1, 2019 to Dec. 31, 2019) consolidated financial statements of the affiliates in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” should also be included in the consolidated financial statement of parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10 of Financial Supervisory Committee. The Company has disclosed the relevant information of the consolidated financial statement of affiliates in the aforementioned consolidated financial statements of parent company and subsidiaries. Hence, the Company will not prepare consolidated financial statements of affiliates.

LEXTAR ELECTRONICS CORP.

Chairman: Feng Cheng Su

Date: March 10, 2020

3. Reports on Affiliation: Not Applicable.

II. Private Placement Securities during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report

Item	2019 private placement (Note)
Type of private placement of securities	Common shares and/or overseas or domestic convertible corporate bonds
Approval date and amount during the shareholders' meeting	Approval date by the shareholders' meeting: June 6, 2019 Amount: During the shareholders' meeting held on June 6, 2019, it was decided by resolution to authorize the board of directors to select one method or combine methods of issuance of new common shares for cash to sponsor issuance of the overseas depositary shares ("DR Offering") and/or issuance of new common shares for cash in public offering and/or issuance of new common shares for cash in private placement ("Private Placement Shares") and/or issuance of overseas or domestic convertible bonds in private placement ("Private Placement CB") within 55,000 thousand shares of common stocks in accordance with the principles in the resolution during the shareholders' meeting.
Basis and rationality for price establishment	1. The higher one of (x) the simple average closing price of the Company's common shares for 1, 3 or 5 trading days prior to the pricing date, and (y) the simple average closing price of the Company's common shares for 30 trading days prior to the pricing date, after adjustment for bonus shares issued as stock dividends, shares cancelled in connection with capital reduction and the cash dividends, should be the reference price of the subscription price of the Private Placement Shares. 2. The issue price of the Private Placement Shares shall be no less than 80% of the reference price. It

	is proposed to authorize the Board to decide the actual issue price within the range approved by the shareholders meeting depending on the status of finding the specific investor(s) and market conditions. The price of Private Placement CB should not be lower than 80% of the theoretical price. 3. As aforementioned subscription price of the Private Placement Shares and issue price of Private Placement CB will be determined with reference to the price of the Company's common shares and the theoretical price in accordance with the regulations governing public companies issuing securities in private placement; thus, the price determination should be reasonable.
Methods for determine specific investor(s)	The investors subscribing to the Private Placement must meet the qualifications listed in Article 43-6 of the Securities and Exchange Act and are limited to strategic investor(s). Priority will be given to the investor(s) who could benefit the Company's long term development, competitiveness, and existing shareholders' rights. The Board is fully authorized to determine the specific investor(s). The purpose, necessity and projected benefits for having strategic investor(s) are to accommodate the Company's operation and development needs to have the strategic investor(s) to assist the Company, directly or indirectly, in finance, business, manufacturing, technology, procurement, management, and strategy development, etc., furthermore, to strengthen the Company's competitiveness and enhance operational efficiency and long term development.
The necessary of issuance for private placement	Considering the effectiveness and convenience for issuance of the Private Placement Shares/Private Placement CB and to accommodate the Company's development planning, including inviting the strategic investor(s), it would be necessary to issue the Private Placement Shares and/or Private Placement CB.
Date of completion for payment	Not Applicable (Note)
Information of the applicants	Not Applicable (Note)
Actual subscribed (or converted) price	Not Applicable (Note)
Differences between the actual subscribed (or converted) price and the reference price	Not Applicable (Note)
Impact of private placement on the shareholders' equity (such as increasing cumulative profit and loss…)	Not Applicable (Note)
The use of funds acquired from private placement and the implementation progress of the plan	Not Applicable (Note)
Benefits from the private placement	Not Applicable (Note)

Note: Considering the situation of the capital market, board of directors decided not to continue the private placement during the remaining period on March 10, 2020 by resolution.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Addition Description: None.

V. If Any of the Situation Listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which might Material Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred during the Most Recent Years and during the Current Year up to the Date of Publication of the Annual Report:

None.

Stock Code:3698

LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

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

Address: No. 3 Gongye E. 3rd Road, hsinchu Science Park, Hsinchu 30075, Taiwan
Telephone: (03)565-8800

Representation Letter

The entities that are required to be included in the combined financial statements of Lextar Electronics Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Lextar Electronics Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Lextar Electronics Corporation
Chairman: Feng Cheng (David) Su
Date: March 10, 2020

Independent Auditors’ Report

To the Board of Directors of Lextar Electronics Corporation:

Opinion

We have audited the consolidated financial statements of Lextar Electronics Corporation(“the Group”), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2019 and 2018, and notes in the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(q) “Revenue” of the consolidated financial statements.

   Revenue recognition is one of the critical areas for our audit due to its complexities in transaction terms as well as the huge volume of transactions, and plus the revenue from multiple locations among the Group.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; testing the Group's controls surrounding revenue recognition, including corroborating the orders from clients, the proof of shipment, and receipt documents; understanding the base to estimate the sales return and discount through comparison with actual sales return and discount after the balance sheet date; sampling the sales transaction between the reported date, exam the external file to evaluate whether the sales recognition is appropriate.

2. Evaluation of inventory

Please refer to Note 4(h) “Inventory” and Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the consolidated financial statements.

Evaluation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the design, manufacture, and sale of InGaN epi wafers and chips, as well as light-emitting diode packages and modules. As different series or models of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; sampling the inventory item and comparing the aging of inventory, understanding the origin price for estimate the net realized value, and evaluating whether the calculation for lower of cost or net realized value is reasonable.

3. Asset impairment

Please refer to Note 4(o) “Impairment－non-financial assets” and Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” to the consolidated financial statements.

The Group engages in a highly capital intensive business environment, to fulfill clients' needs and maintain competitiveness, it needs to maintain a certain level of capacities and continue to invest on technology, however, due to the dynamic change of technology and competition in the market, the invested technologies and capacities might be not able to be fully recovery. Therefore, the Group's non-financial assets could be impaired if not adapt to the change properly. The testing of impairment involves a lot of judgements, it includes the identification of CGU, deciding the model for evaluating, establishing significant assumption, and calculating the recoverable price; all of which depend on the management's subjective judgment.

How the matter was addressed in our audit

Our principal audit procedures included: evaluating the CGU identified by the management according to external and internal impairment signs; ensuring whether the method of measuring the recoverable amount of assets is reasonable, (including the realization on the financial forecast, the calculation of recoverable amount and the assumptions for the forecast of cash flow, such as the weighted average cost of capital, the forecasted sales volume, the market price and the relevant cost and expense, as well as the sensitivity analysis for these important factors); and understanding whether any significant matters happened after the balance sheets date to affect impairment test.

Other Matter

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation, as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

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

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit.

We 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are
Cheng-Chien Chen and Sheng-Ho Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

Notes to Readers

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

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

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,738,080	25	4,090,365	26
1110	Current financial assets at fair value through profit or loss (note 6(b))	13,912	-	217	-
1170	Notes and trade receivables, net (note 6(d))	2,093,318	14	2,845,991	18
1180	Trade receivables due from related parties, net (notes 6(d) and 7)	377,164	2	611,076	4
1476	Other current financial assets (notes 6(d)、(f) and 8)	392,652	3	432,955	3
130X	Inventories (note 6(e))	1,303,233	9	1,652,859	10
1461	Non-current assets classified as held for sale (note 6(n))	16,111	-	104,011	1
1479	Other current assets, others	145,268	1	288,167	2
		8,079,738	54	10,025,641	64
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	102,608	1	89,032	1
1550	Investments accounted for using equity method (note 6(g))	301,370	2	266,982	2
1600	Property, plant and equipment (note 6(i))	4,461,090	30	4,671,564	30
1755	Right-of-use assets (notes 6(j) and 8)	626,407	4	-	-
1760	Investment property, net (note 6(l))	446,942	3	-	-
1780	Intangible assets (note 6(k))	111,712	1	14,092	-
1840	Deferred tax assets (note 6(t))	52,158	-	52,158	-
1985	Long-term lease prepayments (note 6(m))	45,108	-	47,021	-
1990	Other non-current assets, others (notes 6(s) and 8)	601,251	5	577,865	3
		6,748,646	46	5,718,714	36
	Total assets	$ 14,828,384	100	15,744,355	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2170	Notes and trade payables (including related parties, note 7)	$ 1,593,052	11	2,530,449	16
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	17	-	2,979	-
2213	Payable on machinery and equipment	155,913	1	297,061	2
2280	Current lease liabilities (note 6(q))	48,506	-	-	-
2310	Advance real estate receipts (note 6(n))	-	-	317,263	2
2321	Bonds payable, current portion (note 6(o))	-	-	314,400	2
2399	Other current liabilities, others (notes 6(d) and 7)	1,243,965	9	889,275	6
		3,041,453	21	4,351,427	28
	Non-Current liabilities:				
2580	Non-current lease liabilities (note 6(q))	585,160	4	-	-
2600	Other non-current liabilities	16,650	-	37,481	-
		601,810	4	37,481	-
	Total liabilities	3,643,263	25	4,388,908	28
	Equity attributable to owners of parent (notes 6(c), (o), (u) and (v))				
3110	Ordinary share	5,193,864	35	5,116,514	32
3200	Capital surplus	6,106,196	41	6,114,952	39
	Retained earnings:				
3310	Legal reserve	186,311	1	183,054	1
3320	Special reserve	114,972	1	114,972	1
3350	Unappropriated retained earnings (Accumulated deficit)	(309,361)	(2)	32,567	-
		(8,078)	-	330,593	2
	Other equity:				
3410	Exchange differences on translation of foreign financial statements	(261,404)	(2)	(117,234)	(1)
3421	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income, parent	(50,440)	-	(56,290)	-
3422	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	(17,132)	-	(21,858)	-
3491	Other equity, unearned compensation	(82,659)	(1)	(12,322)	-
		(411,635)	(3)	(207,704)	(1)
36XX	Non-controlling interests	304,774	2	1,092	-
	Total equity	11,185,121	75	11,355,447	72
	Total liabilities and equity	$ 14,828,384	100	15,744,355	100

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

LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019			2018	
			Amount	%	Amount	%
4110	**Sales revenue (note 7)**	$	9,427,798	104	11,376,161	103
4170	Less: Sales returns and discount		372,865	4	320,938	3
	Net operating revenues		9,054,933	100	11,055,223	100
5000	Operating costs (notes 6(e), (s), (v) , 7 and 12)		8,181,272	90	9,494,744	86
	Gross profit from operations		873,661	10	1,560,479	14
	Operating expenses (notes 6(s), (v), 7 and 12):					
6100	Selling expenses		666,161	7	590,923	5
6200	Administrative expenses		426,467	5	386,284	3
6300	Research and development expenses		773,545	9	662,703	6
6450	Impairment loss determined in accordance with IFRS 9 (note 6(d))		(4,032)	-	(1,403)	-
	Total operating expenses		1,862,141	21	1,638,507	14
	Net operating loss		(988,480)	(11)	(78,028)	-
	Non-operating income and expenses:					
7010	Other income (note 6(z))		125,953	1	133,482	1
7020	Other gains and losses, net (notes 6(n), (o) and (aa))		517,913	6	16,562	-
7060	Share of profit of associates accounted for using equity method, net (note 6(g))		7,084	-	17,041	-
7050	Finance costs, net (note 6(o))		(25,378)	-	(9,543)	-
			625,572	7	157,542	1
	Profit (loss) from continuing operations before tax		(362,908)	(4)	79,514	1
7950	Less: Income tax expenses (note 6(t))		2,144	-	30,130	-
	Profit (loss)		(365,052)	(4)	49,384	1
8300	**Other comprehensive income:**					
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**					
8311	Gains on remeasurements of defined benefit plans		290	-	4,208	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))		10,576	-	6,805	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		10,866	-	11,013	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
8361	Exchange differences on translation of foreign financial statements		(144,170)	(2)	(1,014)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss		(144,170)	(2)	(1,014)	-
8300	**Other comprehensive income (loss), net**		(133,304)	(2)	9,999	-
	Total comprehensive income (loss)	**$**	**(498,356)**	**(6)**	**59,383**	**1**
	Profit (loss), attributable to:					
	Profit (loss), attributable to owners of parent	$	(309,651)	(3)	49,292	1
	Profit (loss), attributable to non-controlling interests		(55,401)	(1)	92	-
		$	**(365,052)**	**(4)**	**49,384**	**1**
	Comprehensive income (loss) attributable to:					
	Comprehensive income (loss), attributable to owners of parent	$	(442,955)	(5)	59,291	1
	Comprehensive income (loss), attributable to non-controlling interests		(55,401)	(1)	92	-
		$	**(498,356)**	**(6)**	**59,383**	**1**
9750	**Basic earnings (loss) per share (NT dollars) (note 6(w))**	**$**		**(0.61)**		**0.10**
9850	**Diluted earnings per share (NT dollars) (note 6(w))**					**0.10**

See accompanying notes to consolidated financial statements.

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

LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	Share capital			Retained earnings			Total other equity						
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	-	(104,835)	(40,234)	11,381,637	-	11,381,637
Effects of retrospective application	-	-	-	-	-	-	-	(104,835)	104,835	-	-	-	-
Equity at beginning of period after adjustments	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	(104,835)	-	(40,234)	11,381,637	-	11,381,637
Profit	-	-	-	-	-	49,292	-	-	-	-	49,292	92	49,384
Other comprehensive income (loss)	-	-	-	-	-	4,208	(1,014)	6,805	-	-	9,999	-	9,999
Total comprehensive income (loss)	-	-	-	-	-	53,500	(1,014)	6,805	-	-	59,291	92	59,383
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	12,775	-	(12,775)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	114,972	(114,972)	-	-	-	-	-	-	-
Other changes in capital surplus:													
Cash dividends from capital surplus	-	-	(102,474)	-	-	-	-	-	-	-	(102,474)	-	(102,474)
Share-based payments	-	-	-	-	-	-	-	-	-	16,952	16,952	-	16,952
Invest by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Employee stock options exercised	1,002	(1,032)	30	-	-	-	-	-	-	-	-	-	-
Retirement of restricted employee stock	(7,200)	-	(3,760)	-	-	-	-	-	-	10,960	-	-	-
Dispose of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(19,882)	-	19,882	-	-	-	-	-
Changes in equity of the invested company accounted for using equity method	-	-	-	-	-	(1,051)	-	-	-	-	(1,051)	-	(1,051)
Balance at December 31, 2018	5,116,514	-	6,114,952	183,054	114,972	32,567	(117,234)	(78,148)	-	(12,322)	11,354,355	1,092	11,355,447
Loss	-	-	-	-	-	(309,651)	-	-	-	-	(309,651)	(55,401)	(365,052)
Other comprehensive income (loss)	-	-	-	-	-	290	(144,170)	10,576	-	-	(133,304)	-	(133,304)
Total comprehensive income (loss)	-	-	-	-	-	(309,361)	(144,170)	10,576	-	-	(442,955)	(55,401)	(498,356)
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	3,257	-	(3,257)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(29,310)	-	-	-	-	(29,310)	(82)	(29,392)
Other changes in capital surplus:													
Cash dividends from capital surplus	-	-	(73,020)	-	-	-	-	-	-	-	(73,020)	-	(73,020)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	244	-	-	-	-	-	-	-	244	-	244
Share-based payments	-	-	-	-	-	-	-	-	-	71,033	71,033	1,010	72,043
Invest by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	357,034	357,034
Distribution of restricted employee stock	85,000	-	68,000	-	-	-	-	-	-	(153,000)	-	-	-
Retirement of restricted employee stock	(7,650)	-	(3,980)	-	-	-	-	-	-	11,630	-	-	-
Employee stock options exercised	-	-	-	-	-	-	-	-	-	-	-	1,121	1,121
Balance at December 31, 2019	$ 5,193,864	-	6,106,196	186,311	114,972	(309,361)	(261,404)	(67,572)	-	(82,659)	10,880,347	304,774	11,185,121

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

LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ (362,908)	79,514
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	765,026	786,827
Amortization expense	216,341	135,290
Net loss on financial assets or liabilities at fair value through profit or loss	4,423	64,716
Interest expense	25,378	9,543
Interest income	(44,350)	(46,405)
Dividends income	(10,171)	(8,844)
Share-based payments	72,043	16,952
Share of profit of associates and joint ventures accounted for using equity method	(7,084)	(17,041)
Gain on disposal of property, plant and equipment	(546,967)	(23,254)
Total adjustments to reconcile profit	474,639	917,784
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(21,080)	-
Decrease (increase) in notes and trade receivables	1,122,526	(174,660)
Decrease (increase) in inventories	447,549	(34,404)
Decrease in other current assets	26,638	77,215
Decrease in other financial assets	22,868	42,010
Increase in other operating assets	(112,450)	(211,723)
Total changes in operating assets	1,486,051	(301,562)
Changes in operating liabilities:		
Decrease in notes and trade payables	(952,131)	(91,134)
Increase (decrease) in other current liabilities	199,931	(111,350)
Decrease in net defined benefit liability	(10,115)	-
Increase (decrease) in other operating liabilities	(1,095)	27,843
Total changes in operating liabilities	(763,410)	(174,641)
Total changes in operating assets and liabilities	722,641	(476,203)
Total adjustments	1,197,280	441,581
Cash inflow generated from operations	834,372	521,095
Interest received	44,240	53,701
Interest paid	(7,842)	(2,272)
Income taxes refund (paid)	14,700	(24,843)
Net cash flows from operating activities	885,470	547,681
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(3,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	62,318
Acquisition of investments accounted for using equity method	(103,673)	(70,794)
Net cash flow from acquisition of subsidiaries	394,468	-
Acquisition of property, plant and equipment	(960,671)	(1,398,544)
Proceeds from disposal of property, plant and equipment	326,976	27,144
Increase in receipts in advance due to disposal of assets	11,700	317,263
Decrease (increase) in refundable deposits	27,083	(6,114)
Decrease in other financial assets	25,595	412,202
Increase in other non-current assets	(89,607)	(106,649)
Dividends received	10,171	8,844
Net cash flows used in investing activities	(360,958)	(754,330)
Cash flows from (used in) financing activities:		
Repayments of bonds	(314,400)	-
Repayments of long-term debt	(27,367)	-
Decrease in guarantee deposits received	(2,719)	(1,904)
Payment of lease liabilities	(67,625)	-
Cash dividends paid	(102,412)	(102,474)
Capital reduction payments to shareholders	(300,000)	-
Exercise of employee share options	1,121	-
Disposal of ownership interests in subsidiaries (without losing control)	3,013	-
Invest by non-controlling interests	-	1,000
Net cash flows used in financing activities	(810,389)	(103,378)
Effect of exchange rate changes on cash and cash equivalents	(66,408)	(22,990)
Net decrease in cash and cash equivalents	(352,285)	(333,017)
Cash and cash equivalents at beginning of period	4,090,365	4,423,382
Cash and cash equivalents at end of period	$ 3,738,080	4,090,365

See accompanying notes to consolidated financial statements.

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

LEXTAR ELECTRONICS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

LEXTAR ELECTRONICS CORPORATION (the "Company") was incorporated on May 23, 2008, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) in September, 2011. The Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") primarily are involved in the design, manufacture, and sale of InGaN epi wafers and chips, and light-emitting diode packages and modules.

Based on the resolution of the shareholders' meeting held on February 1, 2010, the Company resolved to acquire and merge with LightHouse Technology Co., Ltd. (LightHouse) on March 15, 2010. The Company is the surviving company, and LightHouse was dissolved upon completion of the merger. LightHouse was incorporated on January 27, 2003. The major business activities of LightHouse were the development, testing, manufacture and sale of light-emitting diode packages.

Based on the resolution of the shareholders' meeting held on October 31, 2012, the Company resolved to acquire and merge with Wellypower Optronics Corporation (WELLYPOWER) on February 1, 2013. The Company is the surviving company, and WELLYPOWER was dissolved upon completion of the merger. WELLYPOWER was incorporated on February 28, 1994. The major business activities of WELLYPOWER were the manufacture and sale of cold cathode fluorescent lamps, light-emitting diodes, and hot cathode fluorescent lamps.

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

These consolidated financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 “Leases”

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

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of machinery, leases of temporary office and staff dormitory leases-of variable object.

(Continued)

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’ s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  — their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’ s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

  — an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

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

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

  — Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

  — Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

   On transition to IFRS 16, the Group recognised additional $585,522 thousand of right-of-use assets and $585,522 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.66%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 133,768
Recognition exemption for:	
short-term leases	(177)
Extension and termination options reasonably certain to be exercised	564,541
	$ 698,132
Discounted using the incremental borrowing rate at January 1, 2019	$ 585,522
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 585,522**

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

The Group recognizes the cumulative effect upon its initial application of the new standard on January 1, 2019, in which, the deferred tax liabilities and retained earnings has increased and decreased by $0 thousand, respectively.

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

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

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

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

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

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

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

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) Summary of significant accounting policies

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

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(Continued)

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Main Activities and Location	Percentage of Ownership (%) December 31, 2019	Percentage of Ownership (%) December 31, 2018
The Company	Lextar (Singapore) Pte. Ltd. (LEXSG)	General investing	100%	100%
"	Liang Li Investment Co., Ltd. (Liang Li)	General investing	100%	100%
"	WELLYPOWER OPTRONICS CORP. (WELLYPOWER)	General investing	100%	100%
"	APOWER OPTRONICS CORP. (APOWER)	General investing	100%	100%
"	Wellybond Corporation (Wellybond)	General investing	100%	100%
"	WELLYBOND OPTRONICS (H.K.) LIMITED (WELLYBOND (H.K.))	General investing	100%	100%
"	TRENDYLITE CORPORATION (TRENDYLITE)	Sale of products	90.5% (note 1)	100%
"	First vertical Laser Inc. (First vertical)	Design and manufacturing VCSEL Lei chip	23.1% (note 2)	1.5%
"	Hexawave Inc. (Hexawave)	Manufacturing and sales of compound semiconductor materials and modules	31.69% (note 3)	- %
LEXSG, WELLYPOWER, and APOWER	Lextar Electronics (SuZhou) Co., Ltd. (LEXZ) and Wellypower Optronics (SuZhou) Corporation (Wellypower (SuZhou)) (note 4)	Manufacture of light-emitting diodes (wafers, light bars, modules)	100%	100%
LEXSG	Lextar Electronics (Xiamen) Co., Ltd. (LEXM)	"	100%	100%
"	Lextar Electronics Korea Ltd.	Sale of light-emitting diodes and after-sales service	100%	100%
Liang Li	First vertical Laser Inc. (First vertical)	Design and manufacturing VCSEL Lei chip	3.85% (note 2)	-
Wellybond	VOGITO INNOVATION CO., LTD. (VOGITO)	Design of lighting	50%	50%
"	First vertical Laser Inc. (First vertical)	Design and manufacturing VCSEL Lei chip	27.88% (note 2)	17.93%
"	Hexawave, Inc (Hexawave)	Manufacturing and sales of compound semiconductor materials and modules	31.68% (note 3)	-
LEXZ	Lextar Electronics (Chuzhou) Corp. (LEXCZ)	Manufacture of light-emitting diodes (wafers, light bars, modules)	100%	100%

Note 1: The Group sold the shares to employees in April 2019, with a total of 9.5% equity.

Note 2: The Group got the control of the company by investing in new share in February 2019.

Note 3: The Group got the control of the company by investing in new share in July 2019.

Note 4: The Group merged LEXZ and Wellypower (SuZhou) in July 2019. LEXZ is the surviving company, and Wellypower (SuZhou) was dissolved upon completion of the merger. The relevant liquidation procedures were finished in January 2020.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the dates when the value was measured. Non-monetary items denominated in foreign currencies measured at historical cost are translated into the functional currencies at the dates of transaction date.

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

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

(ii) Foreign operations

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

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

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

(Continued)

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

are classified as non current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

5) Derecognition of financial assets

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

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

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

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

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group’s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group’s accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

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(j) Investment in associates

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

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

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

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

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

(k) Investment property

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

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings: 35~40 years

2) Machinery and equipment: 1~9 years

3) Other equipment: 1~7 years

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

(iv) Reclassification to investment property

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

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

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2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designed the asset in a way that predetermines how and for what purpose it will be?used throughout the period of use.

(ii) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has selected not to recognize right-of-use assets and lease liabilities for short-term leases of office and machinery, leases of low value lease object and staff dormitory leases of variable object. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a leasor

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

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

(Continued)

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

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

(i) Lessor

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

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Trademarks and patents 11~12 years

2) Core technology 3~5 years

3) Customer relationships 3 years

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

(o) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

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

(q) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

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

(iii) Short-term employee benefits

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

(s) Share-based payment

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

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

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(t) Government grants

Government grants without additional conditions are recognized as other income when they are receivable.

Other government grants with additional conditions shall be recognized as deferred income or as a as a reduction of the book value of the government-grant-related asset if the Group will fulfill the conditions. If the government grant is to compensate for the Group' s expenses, it shall be recognized as other income; if the government grant is to compensate for the acquisition cost of an asset, it shall be recognized in profit or loss during the useful life of the asset.

(u) Income taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

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

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

(v) Business combination

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

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

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

(w) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(Continued)

(x) Operating segments

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

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

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

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

Information about judgments made in applying accounting policies, please refer to note 6(f).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(b) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

The Group’s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group’ s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. please refer to note 6(ac) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	**December 31, 2018**
Cash on hand and demand deposits	$	863,741	1,297,242
Time deposits		2,194,339	1,938,123
Bond acquired under repurchase agreement		680,000	855,000
Cash and cash equivalents in consolidated statement of cash flows	**$**	**3,738,080**	**4,090,365**

Please refer to note 6(ac) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

(i) The details of the financial assets and liabilities were as follows:

		December 31, 2019	**December 31, 2018**
Mandatorily measured at fair value through profit or loss－current:			
Forward exchange contracts	**$**	**13,912**	**217**
Financial liabilities measured at fair value through profit or loss－current:			
Forward exchange contracts	$	17	2,650
Foreign exchange swap contracts		-	329
	$	**17**	**2,979**

(Continued)

Please refer to note 6(ac) for the aforementioned financial instruments' exposure to credit risk, foreign currency risk, and interest rate risk.

(ii) Non-hedge derivatives

Please refer to the note 6(ac) for the financial instruments at fair value through profit or loss.

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. The Group holds the following derivative financial instruments, without the application of hedge accounging, presented as held-for-trading financial assets:

December 31, 2019			
Derivative financial instruments	**Nominal amount (thousand)**	**Currency**	**Maturity date**
Forward exchange sold	USD34,000	USD to NTD	2020.1.10~2020.5.11
Forward exchange sold	USD102	USD to JPY	2020.1.30~2020.2.24

December 31, 2018			
Derivative financial instruments	**Nominal amount (thousand)**	**Currency**	**Maturity date**
Foreign exchange swap contracts	USD2,500	USD to NTD	2019.1.10
Forward exchange sold	USD33,000	USD to NTD	2019.1.10~2019.4.10
Forward exchange sold	USD502	USD to JPY	2019.1.25~2019.3.25
Forward exchange purchased	JPY5,402	JPY to NTD	2019.1.25~2019.3.25

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

	December 31, 2019	December 31, 2018
Investments in equity instruments at FVOCI:		
Stocks listed on domestic markets	$ 88,352	80,392
Stock unlisted on domestic markets	14,256	8,640
Total	$ 102,608	89,032

(i) Equity investments at fair value through other comprehensive income

The Group had these equity investments that are held for long-term strategic purposes. Further, it's not held for dealing. Therefore, the Group has designated these investments as measured at FVOCI.

The Group's unrealized gains from investments in equity instruments measured at FVOCI arising for the years ended December 31, 2019 and 2018, amounting to $10,576 thousand and $6,805 thousand, respectively. The amounts have been classified under the other comprehensive income.

(ii) Credit risk and market risk please refer to note 6(ac).

(iii) As of December 31, 2019 and 2018, the financial assets above have not been pledged as collateral.

(d) Notes, trade receivables, net (including related parties), and other receivables

	December 31, 2019	December 31, 2018
Notes receivable	$ 146,230	96,012
Trade receivables	1,959,742	2,766,789
Trade receivables-related parties	377,164	611,076
Other receivables	392,652	432,955
Less: allowance for impairment	(12,654)	(16,810)
	$ 2,863,134	3,890,022

As of December 31, 2019 and 2018, the Group expected to give sales returns and discount to its customers, which were recognized as refund liability for $101,843 thousand and $80,409 thousand, respectively. It' s accounted as other current liabilities.

The expected credit loss (ECL) analysis of trade receivables was as follows:

	December 31, 2019		
	Trade receivables	Weighted average ECL percent	Allowance for ECL
Not past due	$ 2,210,764	0%	-
Past due within 30 days	62,136	0%~10%	940
Past due 31~60 days	5,421	0%~20%	159
Past due 61~90 days	280	0%~40%	39
Past due 91~180 days	2,886	0%~90%	704
Past due over 180 days	55,419	0%~100%	10,812
	$ 2,336,906		12,654

	December 31, 2018		
	Trade receivables	Weighted average ECL percent	Allowance for ECL
Not past due	$ 2,993,951	0%	-
Past due within 30 days	276,766	0%~10%	1,702
Past due 31~60 days	43,976	0%~20%	962
Past due 61~90 days	12,546	0%~40%	617
Past due 91~180 days	38,025	0%~90%	2,056
Past due over 180 days	12,601	0%~100%	11,473
	$ 3,377,865		16,810

(Continued)

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	For the years ended December 31, 2019	2018
Balance at January 1, 2019 and 2018	$ 16,810	19,683
Impairment losses reversal	(4,032)	(1,403)
Amounts written off	-	(1,371)
Foreign exchange losses	(124)	(99)
Balance at December 31, 2019 and 2018	**$ 12,654**	**16,810**

As of December 31, 2019 and 2018, the financial assets above have not been pledged as collateral.

(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 121,051	194,143
Work in progress	577,784	604,544
Finished goods	604,398	854,172
	$ 1,303,233	**1,652,859**

For the years ended December 31, 2019 and 2018, the Group recognized the additional losses on inventory valuation and obsolescence as cost of goods sold amounting to $338,047 thousand and $290,639 thousand, respectively.

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

(f) Linkage transaction

In order to optimize assets utilization, The Group built a new plant through invested the Lextar Electronics (ChuZhou) Corp. (LEXCZ) and obtained government grants. In other sides, The Group sold assets which including the right for the use land, plant and equipment held by Lextar Electronics (SuZhou) Co., Ltd. (LEXZ), to achieve the strategy of adjusted product facilities allocation. The Group claims that the above transactions are correlated with each other, the expected net income from the two aforementioned transactions will be deferred recognized. The Group established Lextar Electronics (Chuzhou) Corp. in Suzhou-Chuzhou Modern Industry Park in semi-annual in 2017. After the establishment of Lextar Electronics (Chuzhou) Corp, the Government granted the Group CNY 200 million ($913,340 thousand). In order to coordinate the establishment of Lextar Electronics (Chuzhou) Corp. and future operating plan and optimize assets utilization, the Group sold LEXZ’s assets which including the right for the use land, plant and equipment in industrial park in Suzhou to non-related party. As of December 31, 2017, the transferred of the title for the usage right of land had been completed. The above mentioned transactions are linked, therefore, the linkage transaction accounting treatment are applied.

(Continued)

(g) Investments accounted for using equity method

		December 31, 2019	December 31, 2018
Associates	$	301,370	266,982

(i) There is no practical market value, for the Group’s investment in associates.

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

		December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates’ equity	$	301,370	266,982

		For the years ended December 31,	
		2019	2018
Attributable to the Group:			
Profit from continuing operations	$	7,084	17,041
Other comprehensive income		-	-
Total	$	7,084	17,041

(iii) As of December 31, 2019 and 2018, the Group did not provide any investments accounted for using the equity method as collateral.

(h) Acquisition of subsidiary and non-controlling interests

(i) Acquisition of First vertical

The Group’s shareholding ratio for its equity method investee First vertical Laser Inc. (First vertical) was 19.43% as of year ended December 31, 2018. Then on February, 2019, the Group obtained control of First vertical by acquiring shares and voting interests in the company. As a result, the Group’s equity interest in First vertical increased from 19.43% to 54.83%.

Since acquisition date, the revenue and losses that attribute from the sales and the consolidated statement of comprehensive income which is incorporate in the Group of First vertical are $27,034 thousand and $(76,851) thousand, respectively. If the acquisition occurred on January 1, 2019, the management estimate the revenue and losses for the year ended December 31, 2019 will be $33,740 thousand and $(85,094) thousand, respectively.

1) The following table summarises the value of major class of consideration transferred.

Item		Amount
Cash	$	152,235
The fair value of acquiree’s ordinary equity		70,794
Total	$	223,029

2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Item	Amount
Cash and cash equivalents	$ 158,523
Accounts receivables	10,862
Inventories	34,244
Other current assets	9,939
Property, plant and equipment	146,114
Intangible assets	95,896
Other non-current assets	2,743
Long-term borrowing	(27,367)
Accounts payables	(4,533)
Other current liabilities	(19,656)
Acquired net assets	406,765
Non-controlling interests	(183,736)
Purchase consideration	$ 223,029

(ii) Acquisition of Hexawave

the Group obtained the controlling power on Hexawave from July, 2019.

Since acquisition date, the revenue and losses that attribute from the business results and the consolidated statement of comprehensive income which is incorporate in the Group of Hexawave $44,320 thousand and $(36,825) thousand, respectively. If the acquisition occurred on January 1, 2019, the management estimate the revenue and losses for the year ended December 31, 2019 will be $97,305 thousand and $(47,285) thousand, respectively.

1) The following table summarises the value of major class of consideration transferred.

Item	Amount
Cash	$ 295,000

2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

(Continued)

Item		Amount
Cash and cash equivalents	$	683,180
Accounts receivables and other receivables		23,786
Inventories		63,679
Other current assets		211
Property, plant and equipment		8,440
Intangible assets		26,615
Other non-current assets		899
Accounts payables		(10,201)
Capital reduction payables		(300,000)
Other payables		(22,806)
Other non-current liabilities		(8,283)
Acquired net assets		465,520
Non-controlling interests		(170,520)
Purchase consideration	$	295,000

(i) Property, plant and equipment

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

		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$	549,386	2,412,928	12,079,209	1,165,280	240,423	16,447,226
Obtain from business combination		-	-	277,316	59,259	34,431	371,006
Additions		-	70,929	106,884	44,374	661,922	884,109
Disposals and retirements		-	-	(273,484)	(37,120)	-	(310,604)
Transfer from Construction in progress and Testing equipment		-	9,204	543,729	49,576	(602,509)	-
Reclassified to Investment property		-	(506,178)	-	-	-	(506,178)
Reclassified to Non-current assets held for sale		-	-	(14,786)	(3,244)	-	(18,030)
Effect of movements in exchange rates		-	(25,449)	(44,444)	(2,927)	(8,553)	(81,373)
Balance on December 31, 2019	$	549,386	1,961,434	12,674,424	1,275,198	325,714	16,786,156
Balance on January 1, 2018	$	549,386	1,564,830	11,862,714	1,030,280	297,057	15,304,267
Additions		-	-	104,722	51,799	1,445,608	1,602,129
Transfer from construction in progress and testing equipment		-	964,886	401,810	142,964	(1,509,660)	-
Reclassified to asset held for sale		-	(102,978)	(23,557)	(306)	-	(126,841)
Disposals and retirements		-	-	(291,649)	(63,586)	(1,124)	(356,359)
Effect of movements in exchange rates		-	(13,810)	25,169	4,129	8,542	24,030
Balance on December 31, 2018	$	549,386	2,412,928	12,079,209	1,165,280	240,423	16,447,226

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Depreciation and impairments loss:						
Balance on January 1, 2019	$ -	287,048	10,540,651	947,817	146	11,775,662
Obtain from business combination	-	-	178,665	37,787	-	216,452
Depreciation	-	60,436	570,535	70,684	-	701,655
Disposals and retirements	-	-	(264,654)	(35,671)	-	(300,325)
Reclassified to Investment property	-	(42,648)	-	-	-	(42,648)
Reclassified to Non-current assets held for sale	-	-	(1,597)	(322)	-	(1,919)
Effect of movements in exchange rates	-	(2,525)	(18,834)	(2,306)	(146)	(23,811)
Balance on December 31, 2019	$ -	302,311	11,004,766	1,017,989	-	12,325,066
Balance on January 1, 2018	$ -	268,032	10,184,791	925,589	1,211	11,379,623
Depreciation	-	48,918	674,876	63,033	-	786,827
Reclassified to asset held for sale	-	(30,633)	(23,557)	(306)	-	(54,496)
Disposals and retirements	-	-	(307,692)	(43,653)	(1,124)	(352,469)
Effect of movements in exchange rate	-	731	12,233	3,154	59	16,177
Balance on December 31, 2018	$ -	287,048	10,540,651	947,817	146	11,775,662
Carrying amounts:						
Balance on December 31, 2019	$ 549,386	1,659,123	1,669,658	257,209	325,714	4,461,090
Balance on December 31, 2018	$ 549,386	2,125,880	1,538,558	217,463	240,277	4,671,564

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had been pledged as collateral.

(j) Right-of-use assets

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

	Land	Buildings	Total
Cost:			
Balance at January 1, 2019	$ 214,626	370,896	585,522
Additions	4,836	99,922	104,758
Effect of movements in exchange rates	-	(9,795)	(9,795)
Balance at December 31, 2019	$ 219,462	461,023	680,485
Accumulated depreciation and impairment losses:			
Balance at January 1, 2019	$ -	-	-
Depreciation for the year	8,723	46,401	55,124
Effect of movements in exchange rates	-	(1,046)	(1,046)
Balance at December 31, 2019	$ 8,723	45,355	54,078
Carrying amount:			
Balance at December 31, 2019	$ 210,739	415,668	626,407

(Continued)

The Group leases offices, warehouses and factory facilities under an operating lease, please refer to note 6(r).

(k) Intangible Assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Patent and royalty	Goodwill	Core technology	Total
Cost:					
Balance at January 1, 2019	$	29,950	8,768	-	38,718
Acquisition through business combinations		-	-	122,511	122,511
Balance at December 31, 2019	$	29,950	8,768	122,511	161,229
Balance at December 31, 2018 (Beginning Balance= Ending Balance)	$	29,950	8,768	-	38,718
Accumulated amortization and impairment losses:					
Balance at January 1, 2019	$	24,626	-	-	24,626
Amortization		1,098	-	23,793	24,891
Balance at December 31, 2019	$	25,724	-	23,793	49,517
Balance at January 1, 2018	$	23,528	-	-	23,528
Amortization		1,098	-	-	1,098
Balance at December 31, 2018	$	24,626	-	-	24,626
Carrying value:					
Balance at December 31, 2019	$	4,226	8,768	98,718	111,712
Balance at December 31, 2018	$	5,324	8,768	-	14,092

(i) The Group invested in First Vertical and Hexawave in February and July of 2019, respectively. The initial recognition comprised the core technology amounting to $104,196 thousand, royalty and expertise amounting to $18,315 thousand, total $122,511 thousand.

(ii) Intangible assets comprised goodwill, customer relationship, and core technology amounting to $72,883 thousand; patent and royalty amounting to $17,083 thousand, and total amounting to $89,966 thousand, which were recognized as intangible assets from merging with Light House on March 15, 2010. Among them, the customer relationship, core technology, patent and royalty had been fully amortized.

(iii) Amortization expenses for intangible assets for the years ended December 31, 2019 and 2018, that were recorded as operating expenses and operating cost, respectively, were as follows：

		2019	2018
Operating cost	$	-	-
Operating expenses	$	24,891	1,098

(iv) As of December 31, 2019 and 2018, the intangible assets of the Group had not been pledged as collateral for its loans.

(l) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 years. Some leases provide the lessees with options to extend at the end of the term.

		Buildings
Cost or deemed cost:		
Balance at January 1, 2019	$	-
Reclassification from property, plant and equipment		506,178
Effect of changes in foreign exchange rates		(8,600)
Balance at December 31, 2019	$	497,578
Accumulated depreciation and impairment losses:		
Balance at January 1, 2019	$	-
Depreciation for the year		8,247
Reclassification from property, plant and equipment		42,648
Effect of changes in foreign exchange rates		(259)
Balance at December 31, 2019	$	50,636
Carrying amounts:		
Balance at January 1, 2019	$	-
Balance at December 31, 2019	$	446,942
Fair value amounts:		
Balance at December 31, 2019	$	469,009

The investment property of the Group was transferred from Buildings in $463,530 thousand in 2019. The depreciation for the current period was $8,247 thousand, and the rental income was deducted. Please note 6 (i). It’s no such situation as of December 31, 2018.

(Continued)

(m) Long-term prepayments for rents

The Group signed an agreement with the Ministry of Land and Resources of the People’s Republic of China to acquire the right for the use land for its operating activities. The details were as follows:

Location	Period	December 31, 2019	December 31, 2018
Suzhou - Chuzhou Modern Industry Park	2017~2067	$ 45,108	47,021

(n) Non-current assets held for sale

The details are as follows:

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 16,111	72,345
Long-term prepayments for rents	-	31,666
	$ 16,111	104,011

The Group’s subsidiary, First LED CHIP, had decided to dispose some of its equipment and which was expecting to be completed within one year, therefore, the related equipment were classified as non-current asset held for sale, amounting to $16,111 thousand, on December 31, 2019.

After adopting by the board of directors meeting at November 8, 2018, the Group planned to sell the right for the use land, property, plant and equipment to Suzhou Industrial Park. As of December 31, 2018, the amount of non-current assets held for sale is $104,011 thousand. The Group completed the transaction in first quarter of 2019, and recognized the gain on disposal of property, plant and equipment of $547,123 thousand, its's accounted as other gains and losses. According to the notice of local tax bureau. The transaction was no land value increment tax.

(o) Convertible bonds payable

	December 31, 2019	December 31, 2018
Aggregate principal amount	$ 3,000,000	3,000,000
Accumulated converted amount	(977,600)	(977,600)
Accumulated puttable amount	(1,708,000)	(1,708,000)
Accumulated redeemed amount	(314,400)	-
Ending balance of bonds payable	-	314,400
Less : Bonds payable－current	-	(314,400)
Ending balance of bonds payable－non-current	$ -	-
Equity component－ conversion right (recorded as capital surplus －stock option)	$ -	30,521

	For the year ended December 31,	
	2019	**2018**
Embedded derivative component－revaluation profit (loss) on redemption rights at the option of the Company/bondholders (recorded as other gains and losses)	$ -	(31)
Interest expense	$ -	7,271

The offering information on the unsecured convertible bonds was as follows:

	1st domestic unsecured convertible bonds	**2nd domestic unsecured convertible bonds**
Offering amount	$1,000,000 thousand	$2,000,000 thousand
Issue date	2012.8.16	2014.1.9
Issuance price	At par value	At par value
Face interest rate	0%	0%
Effective rate	2.167026%	2.34195%
Issue period	2012.8.16~2017.8.16	2014.1.9~2019.1.9
Redemption at the option of the Company	The Group may redeem the bonds at face value with cash or by converting them into stocks at any time after September 16, 2012 if the closing price of the common shares on TWSE on each trading day during a period of 30 consecutive trading dates exceeds at least 30% of the conversion price or if the outstanding balance of the Bonds is less than 10% of the offering amount.	The Group may redeem the bonds at face value with cash or by converting them into stocks at any time after July 9, 2014 if the closing price of the common shares on TWSE on each trading day during a period of 30 consecutive trading dates exceeds at least 30% of the conversion price or if the outstanding balance of the Bonds is less than 10% of the offering amount.
Redemption at the option of the holder	Each holder has the right to require the Group to redeem the holder's bonds on August 16, 2014 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 1% per annum.	Each holder has the right to require the Group to redeem the holder's bonds on January 9, 2017 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum.
Conversion period Conversion price on	Unless the bonds are in the lock-out period, each Holder of the bonds will have the right at any time during the period from September 17, 2012, to August 6, 2017, to convert their bonds. The Group should deliver the common shares to the Holder within 5 days after accepting the demand for conversion.	Unless the bonds are in the lock-out period, each Holder of the bonds will have the right at any time during the period from February 10, 2014, to December 30, 2018, to convert their bonds. The Group should deliver the common shares to the Holder within 5 days after accepting the demand for conversion.
January 1, 2019	(note 1)	(note 2)

(note 1): As of August 16, 2017, the convertible bonds has been redeemed.
(note 2): As of January 9, 2019, the convertible bonds has been redeemed.

(Continued)

(p) Long-term borrowings

The Group proceeded from long-term borrowings amounting to $29,000 thousand with an interest rate of 2.2%. The long-term borrowings are due on August, 2025.

The repayment amounted to $29,000 thousand for the year ended December 31, 2019. From acquisition date to December 31, 2019, the repayment amounted to $27,367 thousand. However, the guarantee for the mortgage of the relevant assets had already released, please refer to note 8. There was no such transaction for the year ended December 31, 2018.

(q) Lease liabilities

The Group’ s lease liabilities are as follows:

	December 31, 2019
Current	$ 48,506
Non-current financial assets	$ 585,160

Expiration analysis please refer to Note 6(ac) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 17,536
Expenses relating to short-term leases	$ 18,559

The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	$ 67,625

(i) Lease of land and building

On March 31, 2019, the Group rented land, house and building to be used as its office. The lease period of office is usually 10 years, and the land is 25 years. Some lease contracts include the option to extend the same period as the original contract when the lease expires.

Only the Group has the rights to exercise the option. If it is not reasonably sure that an extended period will be exercised, payments related to the period covered by the option are not included in lease liabilities.

(r) Operating lease

Non-cancellable operating lease rentals payable were as follows:

		December 31, 2018
Less than one year	$	60,858
Between one and five years		72,910
Over five years		-
	$	133,768

(i) The Group leased office space and factories under operating leases and had an option to renew the leases. During the year 2018, the amounts of $123,594 thousand were recognized as expense in profit or loss in respect of operating leases. There was no contingent rent recognized as expense.

(ii) The Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

(s) Employee benefits

(i) Defined benefit plans

1) Reconcilliation of defined benefit obligations at present value and plan assets at fair value were as follows:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	(31,914)	(13,203)
Fair value of plan assets		74,564	50,601
Net defined benefit assets	$	42,650	37,398

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

a) Composition of plan assets

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

(Continued)

The Bank of Taiwan labor pension reserve account balance of the Company and Hexawave amounted to $52,897 thousand and $21,667 thousand, respectively, as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movement in present value of the defined benefit obligations

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

		2019	2018
Defined benefit obligations at January 1	$	41,712	16,317
Current service costs and interest cost		627	244
Curtailment or settlement gains		(2,003)	(370)
Actuarial loss (gains)		1,693	(2,988)
Benefits paid		(10,115)	-
Defined benefit obligation at December 31	$	31,914	13,203

c) Movements of defined benefit plan assets

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

		2019	2018
Fair value of plan assets at January 1	$	71,054	48,652
Interest income		792	730
Return on plan assets		2,427	1,219
Benefit paid		(10,115)	-
Contributions		10,406	-
Fair value of plan assets at December 31	$	74,564	50,601

d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2019	2018
Current service costs	$	240	-
Curtailment or settlement gains		(2,003)	(370)
Net interest on net defined benefit asset		(405)	(485)
	$	(2,168)	(855)

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

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

		2019	2018
Accumulated amount at January 1	$	(32,069)	(27,861)
Reversed (recognized) during the period		(290)	(4,208)
Accumulated amount at December 31	$	(32,359)	(32,069)

f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	0.66%~0.75%	1.25%
Future salary increase rate	1.00%~2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $291 thousand.

The weighted-average lifetime of the defined benefits plans is 8~14 years.

g) Sensitivity analysis

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

Actuarial assumptions on December 31, 2019		**Increase of 0.25%**	**Decrease of 0.25%**
Discount rate 0.66%~0.75%	$	(709)	869
Future salary increasing rate 1.00%~2.00%	$	859	(705)
		Increase of 110%	**Decrease of 90%**
Employee turnover rate of 0.71%	$	(25)	25

Actuarial assumptions on December 31, 2018		**Increase of 0.25%**	**Decrease of 0.25%**
Discount rate 1.50%	$	(483)	506
Future salary increasing rate 2.00%	$	502	(481)
		Increase of 110%	**Decrease of 90%**
Employee turnover rate of 0.74%	$	(36)	36

(Continued)

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

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, and recognized as the contribution in the current period.

The pension costs incurred from the contributions to the Labour Insurance amounted to $$133,326 thousand and $$139,882 thousand for the years ended December 31, 2019 and 2018, respectively.

(t) Income Taxes

(i) The components of income tax expense in the years 2019 and 2018 were as follows:

		2019	2018
Current tax	$	2,144	3,136
Deferred tax		-	26,994
Income tax expense	$	2,144	30,130

(ii) For the years ended December 31, 2019 and 2018, there was no income tax recognized in other comprehensive income.

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

		2019	2018
Profit (loss) excluding income tax	$	(362,908)	79,514
Income tax using the Company's domestic tax rate		(72,581)	50,329
Effect of tax rates in foreign jurisdiction		(48,297)	(15,093)
Unrecognized deductible temporary differences, and others		123,022	(5,106)
	$	2,144	30,130

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

		December 31, 2019	December 31, 2018
Deferred tax assets			
Tax effect of deductible temporary differences	$	178,568	153,104
Tax losses		818,607	646,397
	$	997,175	799,501
Deferred tax liabilities			
Tax effect of taxable temporary differences	$	(241,036)	(222,078)

a) Deferred tax assets have not been recognized in respect of the above items because it is not probable that the future taxable profit will be available against which the Group can utilize the benefits therefrom.

The Group considers the overall development and investment planning, and doesn't intend to repatriate the surplus of overseas subsidiaries. As a result, the Group has not recognized the deferred income tax assets and deferred income tax liabilities of overseas subsidiaries.

b) As of December 31, 2019, the Group's unused prior years' loss carry-forward and the expiry years of the loss carry-forward were as follows:

Company name	Year of occurrence	Unused balance	Unused tax losses carryforwards	Expiration at the year:	Note
The Company	2016	$ 267,768	53,554	2026	
〃	2017	650,986	130,197	2027	
〃	2019	2,140	428	2029	
Liang Li	2012	1,960	392	2022	
〃	2015	1,480	296	2025	
〃	2019	39	8	2029	
Wellybond	2012	34,165	6,833	2022	
〃	2014	1,079	216	2024	
〃	2016	393	79	2026	
〃	2017	4,072	814	2027	
〃	2019	11,407	2,281	2029	
VOGITO	2019	272	54	2029	

(Continued)

First Vertical	2017	2,526	505	2027
〃	2018	36,019	7,204	2028
〃	2019	74,233	14,847	2029
Hexawave	2011	50,482	10,096	2021
〃	2016	4,211	842	2026
〃	2017	23,350	4,670	2027
〃	2018	34,430	6,886	2028
〃	2019	59,211	11,842	2029

In addition, as of December 31, 2019 and 2018, the unused prior-year tax loss carry-forward of the consolidated entities set up overseas amounted to $2,266,251 thousand and $1,750,125 thousand, respectively, and the deductable taxes calculated by the local tax authorities amounted to $566,563 thousand and $437,531 thousand, respectively.

As of December 31, 2019 and 2018, the loss carry-forward mentioned above didn’t recognize as deferred tax asset are amounting to $818,607 thousand and $646,397 thousand, respectively.

2) Recognized deferred tax assets

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

	Additional loss on inventory valuation	Tax losses	Others	Total
Balance on January 1, 2019	$ (49,668)	-	(2,490)	(52,158)
Recognized in profit or loss	6,923	-	(6,923)	-
Balance on December 31, 2019	$ (42,745)	-	(9,413)	(52,158)
Balance on January 1, 2018	(17,963)	(39,222)	(21,967)	(79,152)
Recognized in profit or loss	(31,705)	39,222	19,477	26,994
Balance on December 31, 2018	$ (49,668)	-	(2,490)	(52,158)

The Company’s tax returns for the years through 2015 and 2017 were assessed by the competent authority. Tax returns of Hexawave, First Vertical, Trendylite, Liang Li, Wellybond and VOGITO for the years through 2017 were assessed by the competent authority.

(u) Capital and other equity

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

(in thousands of shares)	For the years ended December 31, 2019	2018
Outstanding at beginning of period	511,651	512,271
Employee stock options exercised	-	100
Issuance of restricted employee stock (note 6(v))	8,500	-
Retirement of restricted stock	(765)	(720)
Outstanding at end of period	**519,386**	**511,651**

As of December 31, 2019, and 2018, the nominal common stock amounted to $7,000,000 thousand. Face value of each share is $10. The number of shares includes employee stock options for 16,000 thousand shares. There were 519,386 thousand shares and 511,651 thousand shares issued, respectively. All issued shares' capital was received.

(i) Ordinary shares

The Group issued $1,002 thousand new shares of common stock for the exercise of employee stock options for the years ended December 31, 2018. The related registration procedures were completed. It's no such situation as of December 31, 2019.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

		December 31, 2019	December 31, 2018
Additional paid-in capital	$	4,998,442	5,067,923
Merger premium		360,201	360,201
Employee stock options		39,125	39,125
Convertible bonds options		30,521	30,521
Expired convertible bonds options		166,810	166,810
Difference between the equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries		12,465	12,221
Transaction of treasury shares		420,606	420,606
Restricted employee stock options		78,026	17,545
	$	**6,106,196**	**6,114,952**

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The Company distributed additional paid-in capital $102,474 thousand by cash the amount of dividends allocated to common stock owners is $0.2 per share according to the distribution plan via the general meeting of shareholders held on June 5, 2018.

The Company distributed additional paid-in capital $73,020 thousand by cash the amount of dividends allocated to common stock owners is $0.1427 per share according to the distribution plan Via the general meeting of shareholders held on June 6, 2019.

(iii) Retained earnings

The Company’ s article of incorporation stipulate that Company’ s net earnings should first be used to offset the prior years’ deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. When the annual distributable surplus reaches 2% of the paid-up capital , the dividends issued shall not be less than 20% of the distributable surplus for the year; if the surplus is less than 2% of the paid-up capital, the dividend will not be paid. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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

3) Earnings distribution

On June 6, 2019, the shareholder's meetings resolved to appropriate the 2018 earnings. The Company distributed retained earnings $29,310 thousand by cash the amount of dividends allocated to common stock owners is $0.0572 per share. And on June 5, 2018, the shareholder's meetings resolved to distribute the 2017 earnings. Because of retain of its net income as legal reserve and special reserve, there is no distributable earnings for 2017. In order to use legal reserve to cover accumulated deficits for 2016, and 2017 not to distribute dividends.

	2018	
	Payout ratio	**Amount**
Dividend to common stock owners		
Cash	$ 0.0572	29,310

4) Treasury shares

The related information on treasury share transactions was as follows:

(In Thousands of Shares)

For the years ended December 31, 2019

Reason to Reacquire	Number of Sh	Addition During the Period	Reduction During the Period	Number of Sl
Expiration of the restricted employee stock	-	765	765	-

For the years ended December 31, 2018

Reason to Reacquire	Number of Sh	Addition During the Period	Reduction During the Period	Number of Sl
Expiration of the restricted employee stock	-	720	720	-

(Continued)

(v) Share-based payment

The equity-settled share-based payment of the Group for the years ended December 31, 2019 and 2018 were as follows:

(i) Restricted stock

As of December 31, 2019 the information on restricted employee stock outstanding was as follows:

	Restricted stock FY 2017 I	**Restricted stock FY 2017 II**	**Restricted stock FY 2019**
Grant date	2017.3.20	2017.5.12	2019.3.20
Fair value on grant date (per share)	14.90	20.05	18.00
Exercise price	Stock grant	Stock grant	Stock grant
Granted units (thousand shares)	4,700	300	8,500
Vesting conditions	Note 1	Note 1	Note 1

Note 1: The employees could vest 30%, 30% and 40% of the restricted stock, respectively, if they continue to provide service to the Company for the first year, second year and thrid year. However, the actual granted units should be consider the situation of the Company's operating results and employees' performance. The information about restricted stock can be accessed in the Market Observation Post System.

As of December 31, 2019 and 2018, the information on restricted employee stock outstanding was as follows:

	For the years ended December 31,	
(in thousands of shares)	**2019**	**2018**
Outstanding at beginning of period	3,360	4,800
Granted	8,500	-
Vested	(675)	(720)
Forfeited	(765)	(720)
Outstanding at end of period	**10,420**	**3,360**

For the year ended December 31, 2019, the Group issued restricted stock 8,500 thousand shares. While the Group do not have this kind of situation for the year ended December 31, 2018.

For the years ended December 31, 2019 and 2018, 765 thousand and 720 thousand shares, respectively, of restricted stock issued expired due to resignation of employees or failing to meet vesting conditions, and these shares were retired.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

(ii) The share-based payment as of December 31, 2019 and 2018, was as follows:

	2018 Employee stock option plan
Grant date	2018.12.24 (Note 1)
Exercise price	$10.0 per share
Grant amount	1,480 thousand shares
Contract period	2 years
Grant object	Employees
Vesting Conditions	(Note 2)

Note 1: Inherited from the business combination with First Ventical on February, 2019.

Note 2: Subscribers after granted can exercise warrant rights in accordance with the period and proportion as follows:

a. After being granted the employee’ s stock option certificate for half a year, and the first epitaxial machine of Zhunan Factory of First Ventical produced the output specifications, the right to subscribe may be exercised in the limit of 40%, during the granted period.
b. After being granted the employee’ s stock option certificate for half a year, and operating income of First Ventical is positive for three months, continuously, the right to subscribe may be exercised in the limit of 30%, during the granted period.
c. After being granted the employee’ s stock option certificate for a year, and operating income of First Ventical is positive for two seasons, continuously, the right to subscribe may be exercised in the limit of 30%, during the granted period.

The information and the pricing model used to measure the fair value on the grant date of the outstanding employee stock options of the Group were as follows:

	2018 Plan
Pricing model	Black-Scholes
Excise price of stock options (NT$)	11.0
Expected volatility of stock price	19.62%
Expected time until expiration	2 years
Cash dividend rate	0%
Risk-free interest rate	0.56%

(Continued)

Expected volatility is based on the weighted average of historical volatility, and it is adjusted when there is additional market information about the volatility. The Group determined the rates during the life of the option, and they are in accordance with the regulations. The expected cash dividend rate is based on historical experience. The risk-free rate is determined based on government bonds. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

Details of the employee stock options and the transfer of treasury stock are as follows:

	2019	
(in thousands)	**Weighted average exercise price**	**Number of options**
Outstanding at January 1	$ 11.00	1,480.0
Exercised during the year (number)	-	(5.1)
Expired during the year (number)	-	(365.0)
Outstanding at December 31	-	**1,109.9**
Exercisable at December 31	-	**404.625**

(iii) Expenses resulting from share-based payments

For the years ended December 31, 2019 and 2018, the expenses resulting from share-based payment amounted to $72,043 thousand and $16,952 thousand, respectively.

(w) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2019 and 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit(loss) attributable to ordinary shareholders of the Company

	2019	**2018**
Profit(loss) attributable to ordinary shareholders of the Company	**$ (309,651)**	**49,292**

2) Weighted-average number of ordinary shares

	2019	**2018**
Issued ordinary shares at January 1	511,651	512,271
Effect of exercise of employee stock options	-	83
Effect of restricted shares	(2,857)	(4,208)
Weighted average number ordinary shares at December 31	**508,794**	**508,146**

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2019 and 2018, was based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

		2018
Profit attributable to ordinary shareholders of the Company (basic=diluted)	$	49,292

2) Weighted-average number of ordinary shares (diluted)

Unit: thousands of shares

	2018
Weighted-average number of ordinary shares (basic)	508,146
Effect of employee stock bonuses if all transferred to shares	1,145
Effect of restricted shares	2,139
Weighted-average number of ordinary shares (diluted)	511,430

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company' s option is outstanding.

Because potential ordinary shares had no dilutive effect in 2019, only disclosed basic earnings per share.

(x) Revenue from contracts with customers

(i) The details of the revenue were as follows:

		For the years ended December 31,	
		2019	**2018**
Geographic area			
China	$	6,131,635	6,677,748
Hong Kong		781,738	993,299
Taiwan		477,565	448,592
America		456,895	1,201,556
Others		1,207,100	1,734,028
	$	9,054,933	11,055,223
Product			
Backlight products	$	7,305,489	7,921,930
Lighting products		1,749,444	3,133,293
	$	9,054,933	11,055,223

(Continued)

(ii) Contract balance

Trade receivables and impairment, please refer to note 6(d).

(y) Employee, and board of directors' compensation

Based on the Company's articles of incorporation approved by the Company's board of directors, annual profit after offsetting prior years' deficits should be appropriated as follows:

(i) Employee bonus, 5% and not more than 20%.

(ii) Directors' remuneration should not exceed 1%.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive bonus may be specified in the articles of incorporation. This articles of incorporation needs to be approved by a resolution at the shareholders' meeting.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $0 thousand and $10,498 thousand, and directors' and supervisors' remuneration amounting to $0 thousand and $700 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. If there are changes after the date of report issued, the effect of changes will be recognized as profit or loss in the following year, based on the changes in accounting estimates. Related information would be available at the Market Observation Post System website.

(z) Other revenue

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

		2019	**2018**
Interest income	$	44,350	46,405
Others		81,603	87,077
	$	**125,953**	**133,482**

(aa) Non-operating gains and losses

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

		2019	**2018**
Loss on valuation of financial assets (liabilities) at fair value through profit or loss	$	(2,719)	(64,716)
Foreign currency exchange gain (loss), net		(25,974)	57,174
Gain on disposal of property, plant and equipment and others		546,606	24,104
	$	**517,913**	**16,562**

Gain on disposal of property, plant and equipment, please refer to note 6(n).

(ab) Finance Costs

The finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense	$ 25,378	9,543

(ac) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Group's trade receivables and investments.

1) Trade receivables and others receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Group does not have any compliance issues, and therefore, there is no significant credit risk.

Other information about credit risk was as follows:

a) Exposure to credit risk
As of December 31, 2019 and 2018, the carrying amount of financial assets, which represents the maximum amount exposed to credit risk, was $6,717,734 thousand and $8,069,636 thousand, respectively.

b) The Group's credit risk is mainly affected by the credit characteristics of each creditor. This is also an impact on credit risk from the business of the customer. As of December 31, 2019 and 2018, 32% and 46%, respectively, of the ending balance of trade receivables arose from sales to individual customers constituting the top ten customers for the years ended December 31, 2019 and 2018.

c) For other information on loans and receivables, please refer to note 6(d).

(Continued)

(ii) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

1) Based on the date on which the Group may be required to make an early repayment and on the preparation of the financial liabilities' undiscounted cash flows, including interest, but does not include the effect of any netting agreement.

2) Other non-derivative financial liabilities' maturity analysis prepared in accordance with the agreed repayment date.

3) Derivatives' net settlement maturity analysis prepared based on undiscounted cash inflows and outflows in accordance with the agreement; derivatives' gross settlement maturity analysis prepared based on total undiscounted cash inflows and outflows.

		Carrying amount	**Contractual cash flows**	**Within 1 year**	**2 ~ 6 years**	**Over7 years**
December 31, 2019						
Non-derivative financial liabilities:						
Notes and trade payables	$	1,593,052	1,593,052	1,593,052	-	-
Lease liabilities		633,666	740,483	64,580	322,899	353,004
Accrued expenses and other current liabilities		848,235	848,235	848,235	-	-
Derivative financial liabilities						
Outflow		17	1,024,872	1,024,872	-	-
Inflow		(13,912)	(1,038,767)	(1,038,767)	-	-
	$	3,061,058	3,167,875	2,491,972	322,899	353,004
December 31, 2018						
Non-derivative financial liabilities:						
Bank borrowings (including bonds payable)	$	314,400	315,972	315,972	-	-
Notes and trade payables		2,530,449	2,530,449	2,530,449	-	-
Accrued expenses and other current liabilities		868,327	868,327	868,327	-	-
Derivative financial liabilities						
Outflow		2,979	1,106,394	1,106,394	-	-
Inflow		(217)	(1,103,632)	(1,103,632)	-	-
	$	3,715,938	3,717,510	3,717,510	-	-

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Exposure to foreign currency risk

Some of the Group’s operating activities are not measured in one of the Group’s functional currencies, resulting in foreign currency exchange rate risk. To avoid a decrease in foreign currency asset value because of exchange rate changes and fluctuations of future cash flows, the Group uses derivatives to hedge exchange rate risk.

The Group’s significant exposure to foreign currency risk was as follows:

(in thousands)	**December 31, 2019**			**December 31, 2018**		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 78,389	30.135	2,362,252	104,940	30.802	3,232,356
Non-Monetary items						
Forward exchange agreement & exchange rate SWAP						
USD	462	30.135	13,912	6	30.802	190
JPY	-	-	-	97	0.2775	27
Long-term investment under equity method						
USD	6,817	30.135	205,416	6,369	30.802	196,188
Financial liabilities						
Monetary items						
USD	24,546	30.135	739,687	47,338	30.802	1,458,110
JPY	121,083	0.2768	33,516	143,294	0.2775	39,764
Non-Monetary items						
Forward exchange agreement & exchange rate SWAP						
USD	0.564	30.135	17	97	30.802	2,979

For detailed information on forward exchange agreements, please refer to note 6(b).
The Group’s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

(Continued)

A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2019 and 2018, would have increased or decreased the net profit before tax by $16,029 thousand and $17,345 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018 foreign exchange loss (including realized and unrealized portions) amounted to $(25,974) thousand and $57,174 thousand, respectively.

2) Interest rate analysis

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

		Carrying amount	
		December 31, 2019	**December 31, 2018**
Fixed-rate instruments:			
Financial assets	$	315,704	353,655
Financial liabilities		-	(314,400)
	$	315,704	39,255
Variable-rate instruments:			
Financial assets	$	3,786,755	4,143,804

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by $9,467 thousand and $10,360 thousand for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Group's financial liabilities at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

3) Other price risk

If the stock price had changed on the reporting date, the changes in other comprehensive income of the Group would have been as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant and any impact of forecasted sales and purchases was ignored.):

	For the years ended December 31			
	2019		2018	
Stock price	**Other comprehensive income (before tax)**	**Net income (before tax)**	**Other comprehensive income (before tax)**	**Net income (before tax)**
Increase by 10%	8,835	-	8,039	-
Decrease by 10%	(8,835)	-	(8,039)	-

4) Fair value of financial instruments

a) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	$ 13,912	-	-	13,912	13,912
Financial assets at fair value through other comprehensive income					
Listed equity investment	$ 88,352	88,352	-	-	88,352
Unlisted equity investment	14,256	-	-	14,256	14,256
	$ 102,608	88,352	-	14,256	102,608
Financial assets at amortized cost					
Cash and cash equivalents	$ 3,738,080				
Notes and trade receivables, net	2,470,482				
Other financial assets	395,731				
	$ 6,604,293				
Financial liabilities at fair value through profit or loss					
Held-for-trading financial liabilities	$ 17	-	-	17	17
Financial liabilities carried at amortized cost					
Notes and trade payables	1,593,052				
Other financial liabilities	848,235				
	$ 2,441,287				

(Continued)

		December 31, 2018			
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	$ 217	-	-	217	217
Financial assets at fair value through other comprehensive income					
Listed equity investment	$ 80,392	80,392	-	-	80,392
Unlisted equity investment	8,640	-	-	8,640	8,640
Subtotal	$ 89,032	80,392	-	8,640	89,032
Financial assets at amortized cost					
Cash and cash equivalents	$ 4,090,365				
Notes and trade receivables, net	3,457,067				
Other financial assets	443,534				
	$ 7,990,966				
Financial liabilities at fair value through profit or loss					
Held-for-trading financial liabilities	$ 2,979	-	-	2,979	2,979
Financial liabilities carried at amortized cost					
Convertible bonds (part of liabilities)	$ 314,400				
Notes and trade payables	2,530,449				
Other financial liabilities	868,327				
	$ 3,713,176				

b) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

The financial instruments held by the Group are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.

- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the consolidated balance sheet.

ii) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

c) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	For the years ended December 31,							
	2019			2018				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehens iveincome		Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehens iveincome	
	Forward exchange	Unquoted equity instruments	Total	Forward exchange	Structured Deposit	Convertible bonds	Unquoted equity instruments	Total
Balance on January 1	(2,762)	8,640	5,878	16,149	-	31	-	16,180
Reclassify	-	-	-	-	-	-	10,199	10,199
Recognized in profit or loss	(2,719)	-	(2,719)	(66,061)	1,376	(31)	-	(64,716)
Recognized in other comprehensive income	-	2,616	2,616	-	-	-	(1,559)	(1,559)
Purchase/Disposal/Redemption	19,376	3,000	22,376	47,150	(1,376)	-	-	45,774
Balance on December 31	13,895	14,256	28,151	(2,762)	-	-	8,640	5,878

The aforementioned total gains and losses were recognized in “other gains and losses” and “Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income” The details of the assets which the Group still held as of December 31, 2019 and 2018, were as follows:

	2019	2018
Recognized in profit or loss (accounted for as “other gains and losses”)	$ 13,895	(2,762)
Recognized in other comprehensive income (accounted for as “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”)	$ 14,256	8,640

(Continued)

d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss－debt investments”, “available-for-sale financial assets－equity investments” and “bonds payable”. The fair value of these financial instruments are resulting from the quotation of third party or binomial trees pricing model, and didn’t use any variety of unobservable inputs to calculate.

Financial assets at fair value through other comprehensive income-unlisted equity investment that quantified information on significant unobservable inputs were as follows:

Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets measured at fair value through other comprehensive income –Contingent consideration	Discounted Cash Flow Method	• P/B Ratio 1.01 and 0.94, respectively, at December 31, 2019 and 2018. • Risk-adjusted discount rate 29.02% and 40.20%, respectively, at December 31, 2019 and 2018.	• P/B Ratio growth were higher; • the risk-adjusted discount rate higher were lower.

e) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by 10% to reflect reasonably possible alternative assumptions would have the following effects:

		Up or down	**Other comprehensive income**	
	Input value	**variable**	**Favour-variable**	**Unfavour-variable**
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without active market	Liquidity discount	±10%	1,586	(1,586)
December 31, 2018				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without active market	Liquidity discount	±10%	1,445	(1,445)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ad) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Note 6(ac) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(ae) Capital management

The Group manages capital to safeguard the capacity to continue to operate and to safeguard the certainly and stability of its financial resources. The management uses the asset-liability ratio to manage capital. As of December 31, 2019 and 2018, the Group's asset-liability ratios were 21% and 28%, respectively.

As of December 31, 2019, there were no changes in the Group's approach to capital management.

(Continued)

(af) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which do not affect the current cash flow, for the years ended December 31, 2019 and 2018, were as follows:

(i) For conversion of convertible bonds to ordinary shares, please refer to notes 6(o) and (u).

(ii) For issuance and retirement of restricted employee stock, please refer to notes 6(u) and (v).

(iii) For retirement of treasury stock, please refer to note 6(u).

(iv) Acquisition of Right-of-use assets by lease, please refer to note 6(j).

(v) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-Cash flows	December 31, 2019
Repayment of long-term loans	$ -	(27,367)	27,367	-
Repayment of corporate bonds	314,400	(314,400)	-	-
Guarantee Deposit	6,293	(2,719)	-	3,574
Payment of lease principal and interest	585,522	(67,625)	115,769	633,666
	$ 906,215	(412,111)	143,136	637,240

	January 1, 2018	Cash flows	Non-Cash flows	December 31, 2018
Guarantee Deposit	$ 8,197	(1,904)	-	6,293

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group and its subsidiaries.

(b) Name and relationship with related parties

Related -party have a transaction with the Group, for the year ended December 31, 2019, were as follows:

Name of related party	Relationship with the Group
AU Optronics Corp.	The entity with significant influence over the Group
Cree INC.	〃
Cree International S.a.r.l	〃

Name of related party	Relationship with the Group
Darwin Precisions (Xiamen) Co., Ltd.	Other related party (The entity which the parent company with significant influence over the Group)
Darwin Precisions Co., Ltd.	〃
Darwin Precisions (Suzhou) Co., Ltd.	〃
AU Optronics (Suzhou) Corporation	〃
AU Optronics (Xiamen) Corporation	〃
Briview Electronics (Hefei) co. ltd.	〃
Fortech Electronics (Suzhou) Co., Ltd.	〃
Fortech Electronics (Kunshan) Co., Ltd.	〃
AUO Crystal Corp.	〃
Cree Hong Kong Limited	〃
U-FRESH TECHNOLOGY INC.	〃
Chuzhou Bwin Techology Corp.	Other related party (An associate)
Wellysun Inc.	Other related party
Wellysun Automotive Optoelectric(Chuzhou) Co., Ltd.	〃
Key management personnel	Key management personnel of the Group

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the consolidated entity and related parties were as follows:

	Sales		Trade receivables –related party	
	2019	2018	December 31, 2019	December 31, 2018
Entities with significant influence over the Group	$ 420,418	657,104	100,562	162,755
Other related party	956,199	1,405,629	276,602	448,321
	$ 1,376,617	2,062,733	377,164	611,076

The Group’s sales to related parties are at prices similar to normal sales to third parties. The transaction terms with related parties for the years ended December 31, 2019 and 2018 were about 45 to 120 days, which were not significantly different from those with third-party customers.

(ii) Purchases

The amounts of significant purchase transactions, original equipment manufacturer (OEM) transactions, and outstanding balances between the Group and its related parties were as follows:

	Purchases		Trade payables –related party	
	2019	2018	December 31, 2019	December 31, 2018
Other related parties	$ 94,408	16,408	64,492	990

The prices of purchases and the OEM transactions depend on the products. There were no significant differences between the terms of purchase transactions with related enterprises and those carried out with other normal vendors.

(iii) Operating leases

The Group leased the plant, dormitory and office with significant influence individuals and other related parties, and signed long-term lease contracts in which the rental fee is determined based on nearby rental rates. The rental expenses for the 2018 were $11,768 thousand and $10,489 thousand, respectively. The outstanding balances on December 31, 2018 were $0 thousand and $3,046 thousand, respectively.

The Group applied IFRS 16 for the lease with significant influence individuals, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amounts of $109,689 thousand and $109,689 thousand of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Group recognized the amount of $1,426 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to $99,347 thousand.

The Group exempted from applying IFRS 16 for the lease with other related parties due to qualifying for short-term leases requirements. For the year ended December 31, 2019, the Group recognized the amount of $6,248 thousand as interest expense. The outstanding balance as of December 31, 2019 amounted to $2,034.

(iv) Property transaction

The Group prepaid equiment of $7,102 thousand (USD225 thousand) to the entity with significant influence over the Group for the year ended December 31, 2019. As of December 31, 2019, the transaction had not been completed.

(d) Key management personnel compensation

Key management personnel compensation comprised:

		2019	2018
Short-term employee benefits	$	49,669	57,046
Post-employment benefits		752	660
Termination benefits		-	-
Other long-term employee benefits		-	-
Share-based payments		42,402	15,969
	$	92,823	73,675

Please refer to note 6(v) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2019	December 31, 2018
Other financial asset-current	Guarantee for acceptance bill	$	315,704	353,655
Other financial asset-current	Land and factory lease deposit and bank guarantee		19,855	-
Other financial assets (classified under other non-current financial assets)	Guarantee for land lease		3,079	10,579
		$	338,638	364,234

(9) Commitments and contingencies:

(a) The aggregate unpaid amounts of contracts pertaining to the sell and purchase of property, plant and equipment were as follows:

			December 31, 2019	December 31, 2018
Acquisition of equipment	NTD	$	277,622	673,918

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

			December 31, 2019	December 31, 2018
Guarantee notes issued	USD	$	10,000	30,000
Guarantee notes issued	NTD	$	1,200,000	4,180,000

(Continued)

(c) The amounts of unused letters of credit of the Group were as follows:

		December 31, 2019	December 31, 2018
Unused letters of credit	USD	$ -	26
Unused letters of credit	JPY	$ -	40,756

(d) Guarantee notes issued for customs were as follows:

		December 31, 2019	December 31, 2018
Guarantees for customs	CNY	$ -	4,090

(e) The Group entered into patent license agreements with several companies. According to the agreements, the Group shall pay a certain amount of royalty based on sales.

(f) The Group entered into supply agreements and patent license agreements with Cree Inc. According to the agreements, the Group shall keep a sufficient capacity, and shall pay a certain amount of royalty based on the sales of products authorized.

(g) The Group entered into agreements with the government regarding the replacement of street lights; it also subcontracted with another vendor, wherein the Group has to fulfill its obligations.

(h) The Group entered into non-cancellable operating purchases agreements with supplier. Estimated future purchase amount will be USD$66 thousand amount.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function	For the years ended December 31, 2019			For the years ended December 31, 2018		
By item	**Operating cost**	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Employee benefit expenses						
Salaries	1,393,640	844,989	2,238,629	1,530,819	719,857	2,250,676
Labor and health insurance	57,126	48,217	105,343	69,304	43,143	112,447
Pension	90,565	40,593	131,158	102,306	36,721	139,027
Others	64,617	24,622	89,239	65,051	(2,373)	62,678
Depreciation (Note)	598,224	158,555	756,779	713,841	72,986	786,827
Amortization	112,521	103,820	216,341	67,749	67,541	135,290

Note: Excluding investment property, the depreciation for the year ended December 31, 2019, was $8,247 thousand. It's accounted under the deduction of rental income. It was no such situation as of December 31, 2018.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period (Note 5)	Ending balance (Note 3)	Amount actually drawn	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 2)
													Item	Value		
1	APOWER	LEXZ	Other receivables from related parties	Yes	201,968	-	-	2%	2	-	Operating capital	-	-	-	909,490	909,490
2	APOWER	LEXCZ	Other receivables from related parties	Yes	201,773	195,878	195,878	2%	2	-	Operating capital	-	-	-	909,490	909,490
3	LEXSG	LEXZ	Other receivables from related parties	Yes	139,824	-	-	2%	2	-	Operating capital	-	-	-	1,088,035	1,970,587
4	LEXSG	LEXCZ	Other receivables from related parties	Yes	139,689	135,608	135,608	2%	2	-	Operating capital	-	-	-	1,088,035	1,970,587
5	LEXZ	LEXCZ	Other receivables from related parties	Yes	526,668	518,364	172,788	1%	2	-	Operating capital	-	-	-	1,088,035	2,536,061
6	Wellypower (Suzhou) (note 7)	LEXZ	Other receivables from related parties	Yes	732,464	-	-	1%	2	-	Operating capital	-	-	-	1,088,035	1,527,236
7	Wellypower (Suzhou) (note 7)	LEXCZ	Other receivables from related parties	Yes	274,674	-	-	1%	2	-	Operating capital	-	-	-	1,088,035	1,527,236

Note 1: The total amount of lending to companies shall not exceed 40% of the lending company ‘s net worth in the latest financial statements ; the number of overseas subsidiaries shall not exceed 80% of the borrowing company ‘s net worth and not exceed 40% of the lending company ‘s net worth in the latest financial statements

Notes2: The total amount of lending to a single company shall not exceed 10% of the lending company ‘s net worth in the latest financial statements ; the number of overseas subsidiaries shall not exceed 80% of the borrowing company ‘s net worth and not exceed 10% of the lending company ‘s net worth in the latest financial statements

Note 3: The amounts were approved by the board of directors.

Note 4: Nature of financing activities is as follows:

(1) if there are transactions between these two parties, the number is “1”.

(2) if it is necessary to loan to other parties, the number is “2”.

Note 5: The highest balance of financing to other parties in foreign currencies was translated based on the highest exchange rate during the year; the ending balance and amount actually drawn in foreign currencies were translated based on the exchange rate at the reporting date.

Note 6: Transactions within the Group were eliminated in the consolidated financial statements.

Note 7: The Group merges LEXZ with Wellypower (SuZhou) in July 2019. LEXZ is the surviving company, and Wellypower (SuZhou) was dissolved upon completion of merger. The relevant liquidation procedures were completed in January 2020.

Note 8: Transactions within the Group were eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None

(Continued)

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Highest balance during the year		Ending balance				Note
				Shares (thousands)	Percentage of ownership (%)	Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Jhong Wei Corporation	NO	Financial assets measured at FVOCI–non-current	157	-	157	-	-	-	
〃	CHINA ELECTRIC MFG. CORPORATION	〃	〃	6,500	1.63%	5,850	64,935	1.63 %	64,935	
Wellybond	WELLYSUN INC.	(Note 2)	〃	2,400	12.73%	2,400	11,256	8.39 %	11,256 (Note 1)	
〃	CHINA ELECTRIC MFG. CORPORATION	NO	〃	2,344	0.65%	2,110	23,417	0.59 %	23,417	
First vertical	CoreOptics Technology Inc.	NO	〃	300	10.7%	300	3,000	10.70 %	3,000	

Note 1: According to appraisal report.

Note 2: Wellybond is a director of WELLYSUN INC.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain (loss) from disposal	Counter-party	Relationship With company	Disposition purpose	Reference for deternniming price	Others
WPSZ	Property, plant and equipment and intangible assets	2018.11.19 ~2019.03.31	Note 1	104,011	651,134	Full recovery	547,123	Suzhou Industrial Park Wei Ting Town Feng Ting Avenue	Non-related-party	Future operational planning and optimize asse use benefit	Valuation report	

Note 1: The Group acquired factory and long-term lease prepayment on Feburary 1, 2013.

Note 2: Please refer to note 6(n) for releated instrustion.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	LEXZ	Indirect subsidiary	Purchase	671,993	12%	Note 4	Note 2	Note 2	(139,491)	(10)%	Note 5
〃	LEXCZ	〃	Purchase	2,904,197	50%	〃	〃	〃	(729,338)	(50)%	〃
〃	LEXM	〃	Purchase	102,334	2%	〃	〃	〃	(13,523)	(1)%	〃
〃	Cree Hong Kong Limited	Other related party	Sale	(266,169)	(4)%	〃	Note 3	Note 3	40,599	2%	
〃	Fortech Electronics (Suzhou) Co., Ltd.	〃	Sale	(261,470)	(4)%	〃	〃	〃	96,799	5%	
〃	Briview Electronics (Hefei) Co., Ltd.	〃	Sale	(139,537)	(2)%	〃	〃	〃	22,582	1%	
〃	AU Optronics (Xiamen) Corporation	〃	Sale	(187,072)	(3)%	〃	〃	〃	79,908	4%	
〃	Cree Inc.	An entity with significant, influence over the Company	Sale	(364,198)	(6)%	〃	〃	〃	67,304	3%	
LEXZ	The Company	Indirect subsidiary	Sale	(671,993)	(27)%	〃	〃	〃	139,491	22%	Note 5
〃	LEXCZ	〃	Sale	(158,070)	(6)%	〃	〃	〃	40,585	6%	〃
〃	〃	〃	Purchase	1,517,614	83%	〃	Note 2	Note 2	(298,533)	(75)%	〃
LEXCZ	The Company	〃	Sale	(2,904,197)	(52)%	〃	Note 3	Note 3	729,338	55%	〃
〃	LEXZ	〃	Sale	(1,517,614)	(27)%	〃	〃	〃	298,533	23%	〃
〃	〃	〃	Purchase	158,070	3%	〃	Note 2	Note 2	(40,585)	(2)%	〃
LEXM	The Company	〃	Sale	(102,334)	(64)%	〃	Note 3	Note 3	13,523	77%	〃

Note 1: Excluding sales returns, discounts and allowances.

Note 2: The purchase prices and payment terms with related parties were not significantly different from those with third parties.

Note 3: The sales prices and payment terms with related parties were not significantly different from with third parties.

Note 4: The transaction terms with related parties were about 45 to 120 days; they were not significantly different from those with third parties.

Note 5: Transactions within the Group were eliminated in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance (note 3)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	LEXCZ	Indirect subsidiary	447,442 (note 2)	3.92	2,620	-	125,493	-
LEXZ	The Company	Indirect subsidiary	139,491 (note 2)	1.46	95	-	77,510	-
LEXCZ	The Company	Indirect subsidiary	729,338 (note 2)	5.39	-	-	385,260	-
〃	LEXZ	〃	298,533	4.63	117,256	-	160,504	-

(Continued)

Note 1: Until February 28th, 2020.

Note 2: The trade receivables resulted from the sale of products. The related sales revenue was reversed considering the transaction risks and rewards were not transferred while the trade receivables remain on account.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to notes 6(b) and (ac).

(x) Business relationships and significant intercompany transactions: (Only disclosed transaction amounted to more than 30 million)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the year ended December 31, 2019			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	LEXZ	1	Purchase	671,993	(Note 4)	7.42%
0	〃	〃	1	Account payable	139,491	〃	0.94%
0	〃	LEXM	1	Purchase	102,334	〃	1.13%
0	〃	LEXCZ	1	Account receivable (Note 5)	447,442	(Note 3)	3.02%
0	〃	〃	1	Purchase	2,904,197	(Note 4)	32.07%
0	〃	〃	1	Account payable	729,338	〃	4.92%
1	LEXZ	〃	3	Sales	158,070	(Note 3)	1.75%
1	〃	〃	3	Account receivable	40,585	〃	0.27%
1	〃	〃	3	Purchase	1,517,614	(Note 4)	16.76%
1	〃	〃	3	Account payable	298,533	〃	2.01%
1	〃	〃	3	Other account receivable	172,788	Financing provided	1.17%
2	LEXM	〃	3	Sales	52,783	(Note 3)	0.58%
3	APOWER	〃	3	Other account receivable	195,878	Financing provided	1.32%
4	LESG	〃	3	〃	135,608	〃	0.91%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The sales prices and payment terms of intercompany sales are not significantly different from those of third parties.

Note 4: The purchase prices and payment terms of intercompany purchases are not significantly different from those of third parties.

Note 5: The accounts receivable resulted from the sale of products. The related sales revenue was reversed considering the transaction risks and rewards were not transferred while the accounts receivable remain on account.

Note 6: Transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Highest Percentage of ownership	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	LEXSG	Singapore	Investment corporation	2,709,310	2,709,310	100.00%	90,270	100.00%	2,463,234	89,190	89,190	Note 1
〃	WELLYPOWER	British Virgin Islands	Investment corporation	44,898	44,898	100.00%	5,153	100.00%	150,004	(25,121)	(25,121)	〃
〃	APOWER	British Virgin Islands	Investment corporation	425,633	425,633	100.00%	31,600	100.00%	1,136,862	(158,870)	(158,870)	〃
〃	WELLYBOND (H.K.)	Hong Kong	Investment corporation	17,888	17,888	100.00%	63,000	100.00%	11,639	7	7	〃
〃	Liang Li	Taiwan	Investment corporation	25,374	25,374	100.00%	3,000	100.00%	21,353	(3,462)	(3,462)	〃
〃	WELLYBOND	Taiwan	Investment corporation	396,484	396,484	100.00%	40,000	100.00%	298,219	(46,915)	(46,915)	〃
〃	TRENDYLITE	Taiwan	Sale of products	18,100	20,000	100.00%	2,407	90.50%	35,126	7,096	6,793	〃
〃	First vertical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	93,616	5,463	23.10%	5,699	23.10%	73,066	(85,094)	(20,808)	〃
〃	Hexawave	Taiwan	Manufacturing and sales of compound semiconductor materials and modules	147,506	-	31.69%	12,716	31.69%	134,733	(47,285)	(12,772)	
Wellybond	VOGITO	Taiwan	Design of lighting	1,000	1,000	50.00%	100	50.00%	875	(268)	(134)	〃
〃	First vertical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	114,081	65,332	27.88%	6,879	27.88%	89,097	(85,094)	(25,297)	〃
〃	Hexawave	Taiwan	Manufacturing and sales of compound semiconductor materials and modules	147,494	-	31.68%	12,715	31.68%	134,722	(47,285)	(12,772)	〃
LEXSG	Lextar Electronics Korea Ltd.	Korea	Sale of light-emitting diodes and after-sales service	3,025	3,025	100.00%	22	100.00%	3,822	310	310	〃
〃	AURORA	Hong Kong	Sale of lighting	204,136	204,136	20.00%	2,000	20.00%	205,416	62,280	15,111	
Liang Li	First Ventical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	15,332	-	3.85%	950	3.85%	11,953	(85,094)	(3,423)	Note 1

Note 1: Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The Company

1) The names of investees in Mainland China, the main businesses and products, and other information:

(Continued)

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 4)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee (note 1)	Percentage of ownership	Investment income (losses) (note 1)	Book value (note 3)	Highest Percentage of ownership	Accumulated remittance of earnings in current period
					Outflow	Inflow							
LEXZ	Manufacture of light-emitting diodes (wafers, light bars, modules)	2,394,130	(3)	2,394,130 (Note 2)	-	-	2,394,130 (Note 2)	(590,534)	100.00%	(590,534)	3,170,076	100.00%	-
Wellypower (Su Zhou)	Manufacture and sale of CCFL, LED and PCB surface mount technology	1,180,445	(3)	1,191,730 (Note 2)	-	-	1,191,730 (Note 2)	538,171	100.00%	538,171	-	100.00%	-
LEXCZ	Manufacture of light-emitting diodes (wafers, light bars, modules)	2,795,588	(3)	-	-	-	-	(689,818)	100.00%	(689,818)	2,386,585	100.00%	-
Chuzhou Bwin	R&D, production and sale metals and plastics technical product	215,985	(3)	-	-	-	-	(16,723)	48.00%	(8,027)	95,954	48.00%	-
LEXM	Manufacture of light-emitting diodes (wafers, light bars, modules)	32,759	(3)	32,759	-	-	32,759	(63,064)	100.00%	(63,064)	11,128	100.00%	-

Note 1: The investment income (losses) were based on the investee's financial statements using the average exchange rate for the year ended December 31, 2019, and being reviewed by the Headquarter's engagement auditor.

Note 2: The Group merged LEXZ with Wellypower (SuZhou) in July 2019. LEXZ is the surviving company, and Wellypower (SuZhou) was dissolved upon completion of merger. The relevant liquidation procedures were completed in January 2020.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date.

Note 4: The method of investment is divided into the following five categories:

(1) Remittance from third-region companies to invest in Mainland China.

(2) Through the establishment of third-region companies, then investing in Mainland China.

(3) Through transfer of investment to third-region existing companies, then investing in Mainland China.

(4) Direct investment in Mainland China.

(5) Other method.

Note 5: Except for Chuzhou Bwin, transactions within the Group were eliminated in the consolidated financial statements.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,633,067	4,044,862	6,528,208

(ii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated interim financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

(a) General information

The Group's operations only involve a single industry segment: the designing, manufacturing and selling of InGaN epi wafers & chips, and light emitting diode (LED) packages and modules. The Group identifies its operating segments based on the decision of the chief operating decision maker (CODM). The chief operating decision maker's main responsibility is to integrate strategy and to allocate profit from operating results. For the years ended December 31, 2019 and 2018, the Group's segment financial information was the same as that in the consolidated financial statements.

(b) Product and service information

The Group's product revenues from exterior clients were as follows:

Product		2019	2018
Sales of Backlight products	$	7,305,489	7,921,930
Sales of Lighting products		1,749,444	3,133,293
	$	9,054,933	11,055,223

(c) Geographic information

The Group's non-current assets are located in Asia, and its revenue from external clients by geographical location was as follows:

Geographic area		2019	2018
Revenue from exterior clients:			
China	$	6,131,635	6,677,748
Hong Kong		781,738	1,201,556
Taiwan		477,565	993,299
America		456,895	448,592
Others		1,207,100	2,182,620
Total	$	9,054,933	11,055,223

(d) Major customers

Sales to individual clients constituting over 5% of total revenue in 2019 and 2018 are summarized as follows:

		2019	2018
H Group	$	852,345	925,608
G Group		851,680	725,599
X Group		817,935	1,006,831
A Group		731,771	1,208,538
D Group		644,715	854,228
E Group		525,763	458,118
B Group		265,733	775,679
N Group		362,938	1,034,419
Total	$	5,052,880	6,989,020

Stock Code:3698

LEXTAR ELECTRONICS CORPORATION

Parent Company Only Financial Statements

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

Address: No. 3 Gongye E. 3rd Road, hsinchu Science Park, Hsinchu 30075, Taiwan
Telephone: (03)565-8800

Independent Auditors' Report

To the Board of Directors of Lextar Electronics Corporation:

Opinion

We have audited the financial statements of Lextar Electronics Corporation("the Company"), which comprise the statement of financial position as of December 31, 2019 and 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2019 and 2018, and notes in the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(p) "Revenue" of the consolidated financial statements.

   Revenue recognition is one of the critical areas for our audit due to its complexities in transaction terms as well as the huge volume of transactions, and plus the revenue from multiple locations among the Group .

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; testing the Company's controls surrounding revenue recognition, including corroborating the orders from clients, the proof of shipment, and receipt documents; understanding the base to estimate the sales return and discount through comparison with actual sales return and discount after the balance sheet date; sampling the sales transaction between the reported date, exam the external file to evaluate whether the sales recognition is appropriate.

2. Evaluation of inventory

Please refer to Note 4(g) "Inventory" and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the consolidated financial statements.

Evaluation of inventory is one of the key judgmental areas for our audit, the Company is primarily involved in the design, manufacture, and sale of InGaN epi wafers and chips, as well as light-emitting diode packages and modules. As different series or models of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; sampling the inventory item and comparing the aging of inventory, understanding the origin price for estimate the net realized value, and evaluating whether the calculation for lower of cost or net realized value is reasonable.

3. Asset impairment

Please refer to Note 4(n) "Impairment－non-financial assets" and Note 5 "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" to the consolidated financial statements.

The Company engages in a highly capital intensive business environment, to fulfill clients' needs and maintain competitiveness, it needs to maintain a certain level of capacities and continue to invest on technology, however, due to the dynamic change of technology and competition in the market, the invested technologies and capacities might be not able to be fully recovery. Therefore, the Company's non-financial assets could be impaired if not adapt to the change properly. The testing of impairment involves a lot of judgements, it includes the identification of CGU, deciding the model for evaluating, establishing significant assumption, and calculating the recoverable price; all of which depend on the management's subjective judgment.

How the matter was addressed in our audit

Our principal audit procedures included: evaluating the CGU identified by the management according to external and internal impairment signs; ensuring whether the method of measuring the recoverable amount of assets is reasonable, (including the realization on the financial forecast, the calculation of recoverable amount and the assumptions for the forecast of cash flow, such as the weighted average cost of capital, the forecasted sales volume, the market price and the relevant cost and expense, as well as the sensitivity analysis for these important factors); and understanding whether any significant matters happened after the balance sheets date to affect impairment test.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation, as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement partners on the audit resulting in this independent auditors' report are
Cheng-Chien Chen and Sheng-Ho Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

(English Translation of Financial Statements Originally Issued in Chinese)

LEXTAR ELECTRONICS CORPORATION

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,879,112	21	2,594,205	18
1110	Current financial assets at fair value through profit or loss (note 6(b))	13,912	-	217	-
1170	Notes and trade receivables, net (note 6(d))	1,279,432	10	1,755,542	12
1180	Trade receivables due from related parties, net (notes 6(d) and 7)	861,991	6	1,659,469	11
1476	Other current financial assets (notes 6(d) and 8)	16,828	-	2,121	-
130X	Inventories (note 6(e))	505,491	4	798,644	5
1479	Other current assets	72,322	1	136,803	1
		5,629,088	42	6,947,001	47
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	64,935	1	59,085	-
1760	Investment property, net (note 6(j))	237,833	2	-	-
1550	Investments accounted for using equity method (note 6(f))	4,324,236	32	4,402,749	31
1600	Property, plant and equipment (note 6(g))	2,731,837	20	3,158,849	21
1755	Right-of-use assets (notes 6(h) and 8)	304,761	2	-	-
1780	Intangible assets (note 6(i))	12,994	-	14,092	-
1840	Deferred tax assets (note 6(o))	52,159	-	52,159	-
1990	Other non-current assets, others (notes 6(n) and 8)	151,664	1	132,646	1
		7,880,419	58	7,819,580	53
	Total assets	**$ 13,509,507**	**100**	**14,766,581**	**100**

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2170	Notes and trade payables	$ 564,187	4	1,130,913	8
2180	Trade payables to related parties (note 7)	884,420	7	1,218,103	8
2120	Current financial liabilities at fair value through profit or loss (note 6(b))	17	-	2,979	-
2213	Payable on machinery and equipment	52,224	-	115,737	1
2280	Current lease liabilities (note 6(l))	17,893	-	-	-
2321	Bonds payable, current portion (note 6(k))	-	-	314,400	2
2399	Other current liabilities, others (notes 6(d) and 7)	739,341	5	562,571	4
		2,258,082	16	3,344,703	23
	Non-Current liabilities:				
2580	Non-current lease liabilities (note 6(l))	288,759	2	-	-
2600	Other non-current liabilities	82,319	1	67,523	-
		371,078	3	67,523	-
	Total liabilities	2,629,160	19	3,412,226	23
	Equity attributable to owners of parent :				
3110	Ordinary share	5,193,864	39	5,116,514	35
3200	Capital surplus	6,106,196	45	6,114,952	41
	Retained earnings:				
3310	Legal reserve	186,311	1	183,054	1
3320	Special reserve	114,972	1	114,972	1
3350	Unappropriated retained earnings (Accumulated deficie)	(309,361)	(2)	32,567	-
		(8,078)	-	330,593	2
	Other equity:				
3411	Exchange differences on translation of foreign financial statements, parent	(261,404)	(2)	(117,234)	(1)
3421	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, parent	(50,440)	-	(56,290)	-
3422	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income, subsidiaries accounted for using equity method	(17,132)	-	(21,858)	-
3491	Other equity, unearned compensation	(82,659)	(1)	(12,322)	-
		(411,635)	(3)	(207,704)	(1)
	Total equity (notes 6(c), (k), (p) and (q))	10,880,347	81	11,354,355	77
	Total liabilities and equity	**$ 13,509,507**	**100**	**14,766,581**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LEXTAR ELECTRONICS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019		2018	
		Amount	%	Amount	%
4110	**Sales revenue (note 7)**	$ 6,381,212	103	7,117,945	101
4170	Less: Sales returns and discount	167,565	3	63,928	1
	Net operating revenues	6,213,647	100	7,054,017	100
5000	Operating costs (notes 6(e), (i), (n), (q) , 7 and 12)	5,054,711	81	5,918,977	84
	Gross profit from operations	1,158,936	19	1,135,040	16
	Operating expenses (notes 6(i), (n), (g), 7 and 12):				
6100	Selling expenses	476,415	8	400,811	5
6200	Administrative expenses	250,195	4	222,194	3
6300	Research and development expenses	618,622	10	569,351	8
6450	Impairment loss determined in accordance with IFRS 9 (note 6(d))	(3,800)	-	3,181	-
	Total operating expenses	1,341,432	22	1,195,537	16
	Net operating expenses	(182,496)	(3)	(60,497)	-
	Non-operating income and expenses:				
7010	Other income (note 6(u))	71,862	1	17,027	-
7020	Other gains and losses, net (note 6(v))	(22,843)	-	27,706	-
7050	Finance costs, net (note 6(w))	(4,216)	-	(7,278)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(171,958)	(3)	99,327	1
		(127,155)	(2)	136,782	1
	Profit (loss) from continuing operations before tax	(309,651)	(5)	76,285	1
7950	Less: Income tax expenses (note 6(o))	-	-	26,993	-
	Profit (loss)	(309,651)	(5)	49,292	1
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Gains on remeasurements of defined benefit plans (note 6(n))	290	-	4,208	-
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income (note 6(c))	10,576	-	6,805	-
	Components of other comprehensive income that will not be reclassified to profit or loss	10,866	-	11,013	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(144,170)	(2)	(1,014)	-
	Components of other comprehensive loss that will be reclassified to profit or loss	(144,170)	(2)	(1,014)	-
8300	**Other comprehensive income (loss), net**	(133,304)	(2)	9,999	-
	Total comprehensive income (loss)	**$ (442,955)**	**(7)**	**59,291**	**1**
9750	**Basic earnings (loss) per share (NT dollars) (note 6(r))**	**$**	**(0.61)**		**0.10**
9850	**Diluted earnings per share (NT dollars) (note 6(r))**			**$**	**0.10**

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LEXTAR ELECTRONICS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital			Retained earnings			Total other equity				
	Ordinary shares	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Others	Total equity
Balance at January 1, 2018	$ 5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	-	(104,835)	(40,234)	11,381,637
Effects of retrospective application	-	-	-	-	-	-	-	(104,835)	104,835	-	-
Equity at beginning of period after adjustments	5,122,712	1,032	6,221,156	170,279	-	127,747	(116,220)	(104,835)	-	(40,234)	11,381,637
Profit	-	-	-	-	-	49,292	-	-	-	-	49,292
Other comprehensive income (loss)	-	-	-	-	-	4,208	(1,014)	6,805	-	-	9,999
Total comprehensive income (loss)	-	-	-	-	-	53,500	(1,014)	6,805	-	-	59,291
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	12,775	-	(12,775)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	114,972	(114,972)	-	-	-	-	-
Other changes in capital surplus:											
Cash dividends from capital surplus	-	-	(102,474)	-	-	-	-	-	-	-	(102,474)
Share-based payments	-	-	-	-	-	-	-	-	-	16,952	16,952
Issuance of stock for exercise of employee stock options	1,002	(1,032)	30	-	-	-	-	-	-	-	-
Retirement of restricted employee stock	(7,200)	-	(3,760)	-	-	-	-	-	-	10,960	-
Dispose of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(19,882)	-	19,882	-	-	-
Changes in equity of the invested company accounted for using equity method	-	-	-	-	-	(1,051)	-	-	-	-	(1,051)
Balance at December 31, 2018	5,116,514	-	6,114,952	183,054	114,972	32,567	(117,234)	(78,148)	-	(12,322)	11,354,355
Profit (loss)	-	-	-	-	-	(309,651)	-	-	-	-	(309,651)
Other comprehensive income (loss)	-	-	-	-	-	290	(144,170)	10,576	-	-	(133,304)
Total comprehensive income (loss)	-	-	-	-	-	(309,361)	(144,170)	10,576	-	-	(442,955)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	-	3,257	-	(3,257)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(29,310)	-	-	-	-	(29,310)
Other changes in capital surplus:											
Cash dividends from capital surplus	-	-	(73,020)	-	-	-	-	-	-	-	(73,020)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	244	-	-	-	-	-	-	-	244
Share-based payments	-	-	-	-	-	-	-	-	-	71,033	71,033
Distribution of restricted employee stock	85,000	-	68,000	-	-	-	-	-	-	(153,000)	-
Retirement of restricted employee stock	(7,650)	-	(3,980)	-	-	-	-	-	-	11,630	-
Balance at December 31, 2019	$ 5,193,864	-	6,106,196	186,311	114,972	(309,361)	(261,404)	(67,572)	-	(82,659)	10,880,347

See accompanying notes to consolidated financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LEXTAR ELECTRONICS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	(309,651)	76,285
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		527,465	608,179
Amortization expense		100,682	107,549
Net loss on financial assets or liabilities at fair value through profit or loss		4,423	42,091
Interest expense		4,216	7,278
Interest income		(15,369)	(9,828)
Dividends income		(7,475)	(6,500)
Share-based payments		71,033	16,952
Share of loss (profit) of associates and joint ventures accounted for using equity method		171,958	(99,327)
Gain on disposal of property, plant and equipment		(7,536)	(34,504)
Others		984	-
Total adjustments to reconcile profit		850,381	631,890
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease (increase) in notes and trade receivables		1,273,588	(333,568)
Decrease in inventories		293,153	97,084
Decrease in prepayments		64,553	55,913
Increase in other financial assets		(26,595)	(25,276)
Increase in other operating assets		(2,470)	(855)
Total changes in operating assets		1,602,229	(206,702)
Changes in operating liabilities:			
Increase (decrease) in notes and trade payables		(900,409)	879,180
Increase in other current liabilities		131,445	6,782
Increase in other operating liabilities		14,796	63,391
Total changes in operating liabilities		(754,168)	949,353
Total changes in operating assets and liabilities		848,061	742,651
Total adjustments		1,698,442	1,374,541
Cash inflow generated from operations		1,388,791	1,450,826
Interest received		14,876	9,488
Interest paid		-	(7)
Income taxes paid		(72)	(100)
Net cash flows from operating activities		1,403,595	1,460,207
Cash flows from (used in) investing activities:			
Acquisition of investments accounted for using equity method		(235,658)	(5,463)
Proceeds from disposal of investments accounted for using equity method		3,013	-
Acquisition of property, plant and equipment		(442,708)	(479,015)
Proceeds from disposal of property, plant and equipment		66,273	75,939
Decrease in refundable deposits		3,536	10,015
Increase in other non-current assets		(82,010)	(55,957)
Dividends received		7,475	22,460
Net cash flows used in investing activities		(680,079)	(432,021)
Cash flows from (used in) financing activities:			
Repayments of bonds		(314,400)	-
Payment of lease liabilities		(21,879)	-
Cash dividends paid		(102,330)	(102,474)
Net cash flows used in financing activities		(438,609)	(102,474)
Net increase in cash and cash equivalents		284,907	925,712
Cash and cash equivalents at beginning of period		2,594,205	1,668,493
Cash and cash equivalents at end of period	$	2,879,112	2,594,205

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LEXTAR ELECTRONICS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

LEXTAR ELECTRONICS CORPORATION (the "Company") was incorporated on May 23, 2008, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) in September, 2011. The Company and its subsidiaries (together referred to as "the Company" and individually as "Group entities") primarily are involved in the design, manufacture, and sale of InGaN epi wafers and chips, and light-emitting diode packages and modules.

Based on the resolution of the shareholders' meeting held on February 1, 2010, the Company resolved to acquire and merge with LightHouse Technology Co., Ltd. (LightHouse) on March 15, 2010. The Company is the surviving company, and LightHouse was dissolved upon completion of the merger. LightHouse was incorporated on January 27, 2003. The major business activities of LightHouse were the development, testing, manufacture and sale of light-emitting diode packages.

Based on the resolution of the shareholders' meeting held on October 31, 2012, the Company resolved to acquire and merge with Wellypower Optronics Corporation (WELLYPOWER) on February 1, 2013. The Company is the surviving company, and WELLYPOWER was dissolved upon completion of the merger. WELLYPOWER was incorporated on February 28, 1994. The major business activities of WELLYPOWER were the manufacture and sale of cold cathode fluorescent lamps, light-emitting diodes, and hot cathode fluorescent lamps.

(2) Approval date and procedures of the financial statements

These financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

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

(i) IFRS 16 “Leases”

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

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

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

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

2) As a lessee

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

The Company decided to apply recognition exemptions to short-term leases of machinery and temporary office.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

— their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

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

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional $324,315 thousand of right-of-use assets and $324,315 thousand of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.30%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 41,974
Recognition exemption for:	
short-term leases	(177)
Extension and termination options reasonably certain to be exercised	328,655
	$ 370,452
Discounted using the incremental borrowing rate at January 1, 2019	$ 324,315
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 324,315**

(Continued)

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

The Company recognizes the cumulative effect upon its initial application of the new standard on January 1, 2019, in which, the deferred tax liabilities and retained earnings has increased and decreased by $0 thousand, respectively.

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

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

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

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

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

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

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

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment

September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

(4) Summary of significant accounting policies

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

The significant accounting policies presented in the financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company' s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the dates when the value was measured. Non-monetary items denominated in foreign currencies measured at historical cost are translated into the functional currencies at the dates of transaction date.

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

• an investment in equity securities designated as at fair value through other comprehensive income;

• a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

• qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

are classified as non current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting shortterm cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

(Continued)

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

(Continued)

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

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

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

(h) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

(i) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity in the parent company only financial statements are the same as those attributable to the owners of parent in the financial statements.

Changes in parent's ownership interest in a subsidiary that do not result in the loss of control are recognized under equity.

(j) Investment property

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

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

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

(Continued)

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings: 35~40 years

2) Machinery and equipment: 3~9 years

3) Other equipment: 1~7 years

(iv) Reclassification to investment property

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

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

● the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

● the relevant decisions about how and for what purpose the asset is used are predetermined and:

— the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

— the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has selected not to recognize right-of-use assets and lease liabilities for short-term leases of office and machinery, leases of low value lease object and staff dormitory leases of variable object. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

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

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

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

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

Applicable before January 1, 2019

(i) Lessor

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

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group’s statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(Continued)

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1)	Trademarks and patents	11~12 years
2)	Core technology	3 years
3)	Customer relationships	3 years

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

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

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

(p) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(Continued)

(ii) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity.

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

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

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

(s) Income taxes

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(Continued)

1) the same taxable entity; or

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

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

(t) Government grants

Government grants without additional conditions are recognized as other income when they are receivable.

Other government grants with additional conditions shall be recognized as deferred income or as a as a reduction of the book value of the government-grant-related asset if the Company will fulfill the conditions. If the government grant is to compensate for the Company's expenses, it shall be recognized as other income; if the government grant is to compensate for the acquisition cost of an asset, it shall be recognized in profit or loss during the useful life of the asset.

(u) Business combination

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

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

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

(v) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(w) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(b) Impairment of property, plant and equipment, and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset Companys considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

(Continued)

The Company’ s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. please refer to note 6(x) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand and demand deposits	$	521,200	408,615
Time deposits		1,677,912	1,535,590
Bond acquired under repurchase agreement		680,000	650,000
Cash and cash equivalents in statement of cash flows	$	2,879,112	2,594,205

Please refer to note 6(x) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

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

(i) The details of the financial assets and liabilities were as follows:

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss－current:			
Forward exchange contracts	$	13,912	217
Financial liabilities measured at fair value through profit or loss－current:			
Forward exchange contracts	$	17	2,650
Foreign exchange swap contracts		-	329
	$	17	2,979

Please refer to note 6(x) for the aforementioned financial instruments' exposure to credit risk, foreign currency risk, and interest rate risk.

(ii) Non-hedge derivatives

Please refer to the note 6(x) for the financial instruments at fair value through profit or loss.

The Company uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Company is exposed to, arising from its operating, financing and investing activities. The Company holds the following derivative financial instruments, without the application of hedge accounting, presented as held-for-trading financial assets:

December 31, 2019			
Derivative financial instruments	**Nominal amount (thousand)**	**Currency**	**Maturity date**
Forward exchange sold	USD34,000	USD to NTD	2020.1.10-2020.5.11
Forward exchange sold	USD102	USD to JPY	2020.1.30-2020.2.24

December 31, 2018			
Derivative financial instruments	**Nominal amount (thousand)**	**Currency**	**Maturity date**
Foreign exchange swap contracts	USD2,500	USD to NTD	2019.1.10
Forward exchange sold	USD33,000	USD to NTD	2019.1.10~2019.4.10
Forward exchange sold	USD502	USD to JPY	2019.1.25~2019.3.25
Forward exchange purchased	JPY5,402	JPY to NTD	2019.1.25~2019.3.25

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

	December 31, 2019	**December 31, 2018**
Investments in equity instruments at FVOCI:		
Stocks listed on domestic markets	$ 64,935	59,085

(i) Equity investments at fair value through other comprehensive income

The Company had these equity investments that are held for long-term strategic purposes. Further, it's not held for dealing. Therefore, the Company has designated these investments as measured at FVOCI.

The Company's unrealized gains from investments in equity instruments measured at FVOCI arising for the years ended December 31, 2019 and 2018, amounting to $5,850 and $6,805 thousand, respectively. The amounts have been classified under the other comprehensive income.

(ii) Credit risk and market risk please refer to note 6(x).

(iii) As of December 31, 2019 and 2018, the financial assets above have not been pledged as collateral.

(Continued)

(d) Notes, trade receivables, net (including related parties), and other receivables

	December 31, 2019	December 31, 2018
Trade receivables	$ 1,286,497	1,766,407
Trade receivables-related parties	861,991	1,659,469
Other receivables	16,828	2,121
Less: allowance for impairment	(7,065)	(10,865)
	$ 2,158,251	3,417,132

As of December 31, 2019 and 2018, the Company expected to give sales returns and discount to its customers, which were recognized as refund liability for $11,371 thousand and $3,897 thousand. It's accounted as other current liabilities.

The expected credit loss (ECL) analysis of Trade receivables was as follows:

	December 31, 2019		
	Trade receivables	Weighted average ECL percent	Allowance for ECL
Not past due	$ 2,075,264	0%	-
Past due within 30 days	59,711	0%~10%	405
Past due 31~60 days	1,704	0%~20%	30
Past due 61~90 days	-	0%~40%	-
Past due 91~180 days	-	0%~90%	-
Past due over 180 days	11,809	0%~100%	6,630
	$ 2,148,488		7,065

	December 31, 2018		
	Trade receivables	Weighted average ECL percent	Allowance for ECL
Not past due	$ 2,998,024	0%	-
Past due within 30 days	347,300	0%~10%	1,557
Past due 31~60 days	57,038	0%~20%	749
Past due 61~90 days	4,735	0%~40%	48
Past due 91~180 days	12,267	0%~90%	1,999
Past due over 180 days	6,512	0%~100%	6,512
	$ 3,425,876		10,865

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	For the years ended December 31, 2019	2018
Balance at January 1	$ 10,865	7,684
Impairment losses (reversal)	(3,800)	3,181
Balance at December 31	$ 7,065	10,865

As of December 31, 2019 and 2018, the financial assets above have not been pledged as collateral.

(e) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 37,430	76,142
Work in progress	266,903	383,381
Finished goods	201,158	339,121
	$ 505,491	798,644

For the years ended December 31, 2019 and 2018, the Company recognized the additional losses on inventory valuation and obsolescence as cost of goods sold amounting to $92,702 thousand and $161,617 thousand, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral.

(f) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiaries	$ 4,324,236	4,397,286
Associates	-	5,463
	$ 4,324,236	4,402,749

(i) Subsidiaries

Please refer to consolidated financial statements for the year 2019.

(ii) Associates

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

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	$ -	5,463

(Continued)

The Company increased its investment to First Vertical by $88,153 thousand in 2019, with the shareholding ratio of 23.10% and control the board. Therefore, it was reclassified from the associate to the subsidiary.

(iii) As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using the equity method as collateral.

(g) Property, plant and equipment

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

		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$	549,385	1,454,940	10,322,311	1,051,997	181,865	13,560,498
Additions		-	-	48,877	24,619	304,957	378,453
Disposals and retirements		-	-	(706,648)	(30,296)	-	(736,944)
Transfer from Construction in progress and Testing equipment		-	-	265,776	46,126	(311,902)	-
Reclassified to Investment property		-	(281,982)	-	-	-	(281,982)
Balance on December 31, 2019	$	549,385	1,172,958	9,930,316	1,092,446	174,920	12,920,025
Balance on January 1, 2018	$	549,385	1,454,940	11,144,053	908,175	89,161	14,145,714
Additions		-	-	41,633	20,969	446,152	508,754
Disposals and retirements		-	-	(1,084,899)	(8,174)	(897)	(1,093,970)
Transfer from Construction in progress and Testing equipment		-	-	221,524	131,027	(352,551)	-
Balance on December 31, 2018	$	549,385	1,454,940	10,322,311	1,051,997	181,865	13,560,498
Depreciation and impairments loss:							
Balance on January 1, 2019	$	-	283,149	9,251,464	867,036	-	10,401,649
Depreciation		-	35,611	412,294	53,835	-	501,740
Disposals and retirements		-	-	(646,928)	(30,295)	-	(677,223)
Reclassified to Investment property		-	(37,978)	-	-	-	(37,978)
Balance on December 31, 2019	$	-	280,782	9,016,830	890,576	-	10,188,188
Balance on January 1, 2018	$	-	241,367	9,770,453	834,185	-	10,846,005
Depreciation		-	41,782	525,372	41,025	-	608,179
Disposals and retirements		-	-	(1,044,361)	(8,174)	-	(1,052,535)
Balance on December 31, 2018	$	-	283,149	9,251,464	867,036	-	10,401,649
Carrying amounts:							
Balance on December 31, 2019	$	549,385	892,176	913,486	201,870	174,920	2,731,837
Balance on December 31, 2018	$	549,385	1,171,791	1,070,847	184,961	181,865	3,158,849

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral.

(h) Right-of-use assets

The Company leases many assets including land, buildings, machinery, vehicles and equipment. Information about leases for which the Company as a lessee was presented below:

		Land	Buildings	Total
Cost:				
Balance at December 31, 2019 (Beginning Balance = Ending Balance)	$	214,626	109,689	324,315
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$	-	-	-
Depreciation for the year		8,585	10,969	19,554
Balance at December 31, 2019	$	8,585	10,969	19,554
Carrying amount:				
Balance at December 31, 2019	$	206,041	98,720	304,761

The Company leases offices, warehouses and factory facilities under an operating lease for the year 2018, please refer to note 6(m).

(i) Intangible Assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Patent and royalty	Goodwill	Total
Cost:				
Balance at January 1, and December 31, 2019	$	29,950	8,768	38,718
Balance at January 1, and December 31, 2018	$	29,950	8,768	38,718
Accumulated amortization:				
Balance at January 1, 2019	$	24,626	-	24,626
Amortization		1,098	-	1,098
Balance at December 31, 2019	$	25,724	-	25,724
Balance at January 1, 2018	$	23,528	-	23,528
Amortization		1,098	-	1,098
Balance at December 31, 2018	$	24,626	-	24,626
Book value:				
Balance at December 31, 2019	$	4,226	8,768	12,994
Balance at December 31, 2018	$	5,324	8,768	14,092

(Continued)

(i) Intangible assets comprised goodwill, customer relationship, and core technology amounting to $72,883 thousand; patent and royalty amounting to $17,083 thousand; and total amounting to $89,966 thousand, which were recognized as intangible assets from merging with Light House on March 15, 2010. Among them, the customer relationship, core technology, patent and royalty had been fully amortized.

(ii) Amortization expenses for intangible assets for the years ended December 31, 2019 and 2018, that were recorded as operating expenses and operating cost, respectively, were as follows:

	2019	2018
Operating cost	$ -	-
Operating expenses	$ 1,098	1,098

(iii) As of December 31, 2019 and 2018, the intangible assets of the Company had not been pledged as collateral for its loans.

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 5 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts, but some leases require the lessee to reimburse the insurance costs of the Group. When this is the case, the amounts of insurance costs are determined annually.

	Buildings
Cost or deemed cost:	
Balance at January 1, 2019	$ -
Reclassification from property, plant and equipment	281,982
Balance at December 31, 2019	$ 281,982
Accumulated depreciation and impairment losses:	
Balance at January 1, 2019	$ -
Depreciation for the year	6,171
Reclassification from property, plant and equipment	37,978
Balance at December 31, 2019	$ 44,149
Carrying amounts:	
Balance at January 1, 2019	$ -
Balance at December 31, 2019	$ 237,833
Fair value amounts:	
Balance at December 31, 2019	$ 259,901

The investment property of the Company was transferred from Buildings in $237,833 thousand in 2019. The depreciation for the current period was $6,171 thousand, and the rental income was deducted. Please note 6 (g). It’ s no such situation in 2018.

(k) Convertible bonds payable

	December 31, 2019	December 31, 2018
Aggregate principal amount	$ 3,000,000	3,000,000
Accumulated converted amount	(977,600)	(977,600)
Accumulated puttable amount	(1,708,000)	(1,708,000)
Accumulated redeemed amount	(314,400)	-
Ending balance of bonds payable	-	314,400
Less : Bonds payable－current	-	(314,400)
Ending balance of bonds payable－non-current	$ -	-
Equity component－ conversion right (recorded as capital surplus －stock option)	$ -	30,521

	For the years ended December 31, 2019	For the years ended December 31, 2018
Embedded derivative component－revaluation profit (loss) on redemption rights at the option of the Company/bondholders (recorded as other gains and losses)	-	(31)
Interest expense	-	7,271

The offering information on the unsecured convertible bonds was as follows:

	1st domestic unsecured convertible bonds	2nd domestic unsecured convertible bonds
Offering amount	$1,000,000 thousand	$2,000,000 thousand
Issue date	2012.8.16	2014.1.9
Issuance price	At par value	At par value
Face interest rate	0%	0%
Effective rate	2.167026%	2.34195%
Issue period	2012.8.16~2017.8.16	2014.1.9~2019.1.9
Redemption at the option of the Company	The Group may redeem the bonds at face value with cash or by converting them into stocks at any time after September 16, 2012 if the closing price of the common shares on TWSE on each trading day during a period of 30 consecutive trading dates exceeds at least 30% of the conversion price or if the outstanding balance of the Bonds is less than 10% of the offering amount.	The Group may redeem the bonds at face value with cash or by converting them into stocks at any time after July 9, 2014 if the closing price of the common shares on TWSE on each trading day during a period of 30 consecutive trading dates exceeds at least 30% of the conversion price or if the outstanding balance of the Bonds is less than 10% of the offering amount.

(Continued)

Redemption at the option of the holder	Each holder has the right to require the Company to redeem the holder's bonds on August 16, 2014 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 1% per annum.	Each holder has the right to require the Company to redeem the holder's bonds on January 9, 2017 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum.
Conversion period Conversion price on	Unless the bonds are in the lock-out period, each Holder of the bonds will have the right at any time during the period from September 17, 2012, to August 6, 2017, to convert their bonds. The Group should deliver the common shares to the Holder within 5 days after accepting the demand for conversion.	Unless the bonds are in the lock-out period, each Holder of the bonds will have the right at any time during the period from February 10, 2014, to December 30, 2018, to convert their bonds. The Group should deliver the common shares to the Holder within 5 days after accepting the demand for conversion.
December 31, 2019	(note 1)	(note 2)

(note 1): As of August 16, 2017, the convertible bonds has been redeemed.

(note 2): As of January 9, 2019, the convertible bonds has been redeemed.

(l) Lease liabilities

The Company's lease liabilities are as follows:

	December 31, 2019
Current	$ 17,893
Non-current financial assets	$ 288,759

Expiration analysis please refer to note 6(x) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 4,216
Expenses relating to short-term leases	$ 2,352

The amounts recognized in the statement of cash flows for the Company was as follows:

	2019
Total cash outflow for leases	$ 21,879

(i) Lease of land and building

On December 31, 2019, the Company rented land and building to be used as its office. The lease period of office is usually 10 years, and the land is 25 years. Some lease contracts include the option to extend the same period as the original contract when the lease expires.

Only the Company has the rights to exercise the option. If it is not reasonably sure that an extended period will be exercised, payments related to the period covered by the option are not included in lease liabilities.

(m) Operating lease

Non-cancellable operating lease rentals payable were as follows:

		December 31, 2018
Less than one year	$	22,056
Between one and five years		19,918
Over five years		-
	$	41,974

(i) The Company leased office space and factories under operating leases and had an option to renew the leases. During the year 2018, the amounts of $22,223 thousand, were recognized as expense in profit or loss in respect of operating leases. There was no contingent rent recognized as expense.

(ii) The Company does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

(n) Employee benefits

(i) Defined benefit plans

1) Reconcilliation of defined benefit obligations at present value and plan assets at fair value were as follows:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	(12,738)	(13,203)
Fair value of plan assets		52,897	50,601
Net defined benefit assets	$	40,159	37,398

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

(Continued)

a) Composition of plan assets

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

The Company’ s Bank of Taiwan labor pension reserve account balance amounted to $52,897 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movement in present value of the defined benefit obligations

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

		2019	**2018**
Defined benefit obligations at January 1	$	13,203	16,317
Current service costs and interest cost		165	244
Curtailment or settlement gains		(2,003)	(370)
Actuarial loss (gains)		1,373	(2,988)
Defined benefit obligation at December 31	**$**	**12,738**	**13,203**

c) Movements of defined benefit plan assets

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

		2019	**2018**
Fair value of plan assets at January 1	$	50,601	48,652
Interest income		632	730
Return on plan assets		1,664	1,219
Fair value of plan assets at December 31	**$**	**52,897**	**50,601**

d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2019	2018
Curtailment or settlement gains	$	(2,003)	(370)
Net interest on net defined benefit asset		(467)	(485)
	$	(2,470)	(855)
Administrative expenses	$	(2,470)	(855)

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

		2019	2018
Accumulated amount at January 1	$	(32,069)	(27,861)
Reversed (recognized) during the period		(290)	(4,208)
Accumulated amount at December 31	$	(32,359)	(32,069)

f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	0.75%	1.25%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $0 thousand.

The weighted-average lifetime of the defined benefits plans is 14 years.

g) Sensitivity analysis

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

Actuarial assumptions on December 31, 2019		Increase of 0.25%	Decrease of 0.25%
Discount rate 0.75%	$	(440)	461
Future salary increasing rate 2.00%	$	454	(436)

(Continued)

	Increase of 110%	Decrease of 90%
Employee turnover rate of 0.71%	$ (25)	25

Actuarial assumptions on December 31, 2018	**Increase of 0.25%**	**Decrease of 0.25%**
Discount rate 1.25%	$ (483)	507
Future salary increasing rate 2.00%	$ 502	(481)

	Increase of 110%	Decrease of 90%
Employee turnover rate of 0.74%	$ (36)	36

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

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, and recognized as the contribution in the current period.

The pension costs incurred from the contributions to the Labour Insurance amounted to $49,145 thousand and $52,866 thousand for the years ended December 31, 2019 and 2018, respectively.

(o) Income Taxes

(i) The components of income tax expense in the years 2019 and 2018 were as follows:

	2019	2018
Deferred tax	$ -	26,993
Income tax expense	$ -	26,993

(ii) For the years ended December 31, 2019 and 2018, there was no income tax recognized in other comprehensive income.

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

		2019	2018
Profit (loss) excluding income tax	$	(309,651)	76,285
Income tax using the Company's domestic tax rate		(61,930)	15,257
Current-year losses for which no deferred tax asset was recognized		428	-
Unrecognized deductible temporary differences, and others		61,502	11,736
	$	**-**	**26,993**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

		December 31, 2019	December 31, 2018
Deferred tax assets			
Tax effect of deductible temporary differences	$	178,568	153,104
Tax losses		184,179	199,790
	$	**362,747**	**352,894**
Deferred tax liabilities			
Tax effect of taxable temporary differences	**$**	**(241,036)**	**(222,078)**

a) Deferred tax assets have not been recognized in respect of the above items because it is not probable that the future taxable profit will be available against which the Group can utilize the benefits therefrom.

b) The Company had considered the overall development and investment planning of the Group and did not intend to repatriate the surplus of overseas subsidiaries.

Therefore, the Company did not recognize deferred tax assets and deferred tax liabilities of overseas subsidiaries.

(Continued)

c) As of December 31, 2019, the Company's unused prior years' loss carry-forward and the expiry years of the loss carry-forward were as follows:

Year of occurrence		Unused balance	Unused tax losses carryforwards	Expiration at the year:
2016	$	267,768	53,554	2026
2017		650,986	130,197	2027
2019		2,140	428	2029
	$	920,894	184,179	

2) Recognized deferred tax assets

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

		Additional loss on inventory valuation	Tax losses	Others	Total
Balance on January 1, 2019	$	(49,668)	-	(2,491)	(52,159)
Recognized in profit or loss		6,922	-	(6,922)	-
Balance on December 31, 2019	$	(42,746)	-	(9,413)	(52,159)
Balance on January 1, 2018		(17,963)	(39,222)	(21,967)	(79,152)
Recognized in profit or loss		(31,705)	39,222	19,476	26,993
Balance on December 31, 2018	$	(49,668)	-	(2,491)	(52,159)

(v) The Company's tax returns for the years through 2015 and 2017 were assessed by the Taipei National Tax Administration.

(p) Capital and other equity

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
(in thousands of shares)	2019	2018
Outstanding at beginning of period	511,651	512,271
Employee stock options exercised	-	100
Issuance of restricted employee stock (note 6(q))	8,500	-
Retirement of restricted stock	(765)	(720)
Outstanding at end of period	519,386	511,651

As of December 31, 2019, and 2018, the nominal common stock amounted to $7,000,000 thousand. Face value of each share is $10. The number of shares includes employee stock options for 16,000 thousand shares. There were 519,386 thousand shares and 511,651 thousand shares issued, respectively. All issued shares' capital was received.

(i) Ordinary shares

The Company issued $1,002 thousand new shares of common stock for the exercise of employee stock options for the year ended December 31, 2018. The related registration procedures were completed. It’ s no such situation in 2019.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 4,998,442	5,067,923
Merger premium	360,201	360,201
Employee stock options	39,125	39,125
Convertible bonds options	30,521	30,521
Expired convertible bonds options	166,810	166,810
Difference between the equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	12,465	12,221
Transaction of treasury shares	420,606	420,606
Restricted employee stock options	78,026	17,545
	$ 6,106,196	6,114,952

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The Company distributed additional paid-in capital $102,474 thousand by cash the amount of dividends allocated to common stock owners is $0.2 per share according to the distribution plan via the general meeting of shareholders held on June 5, 2018.

The Company distributed additional paid-in capital $73,020 thousand by cash the amount of dividends allocated to common stock owners is $0.1427 per share according to the distribution plan Via the general meeting of shareholders held on June 6, 2019.

(Continued)

(iii) Retained earnings

The Company’ s article of incorporation stipulate that Company’ s net earnings should first be used to offset the prior years’ deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. When the annual distributable surplus reaches 2% of the paid-up capital , the dividends issued shall not be less than 20% of the distributable surplus for the year; if the surplus is less than 2% of the paid-up capital, the dividend will not be paid. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

According to the amendment of the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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

3) Earnings distribution

On June 6, 2019, the shareholder’ s meetings resolved to appropriate the 2018 earnings. The Company distributed retained earnings $29,310 thousand by cash the amount of dividends allocated to common stock owners is $0.0572 per share. And on June 5, 2018, the shareholder’ s meetings resolved to distribute the 2017 earnings. Because of retain of its net income as legal reserve and special reserve, there is no distributable earnings for 2017. In order to use legal reserve to cover accumulated deficits for 2016, and 2017 not to distribute dividends.

		2018	
		Payout ratio	**Amount**
Dividend to common stock owners			
Cash	$	0.0572	29,310

4) Treasury shares

The related information on treasury share transactions was as follows:

(In Thousands of Shares)

For the years ended December 31, 2019

Reason to Reacquire	Number of Sh	Addition During the Period	Reduction During the Period	Number of Sl
Expiration of the restricted employee stock	-	765	765	-

For the years ended December 31, 2018

Reason to Reacquire	Number of Sh	Addition During the Period	Reduction During the Period	Number of Sl
Expiration of the restricted employee stock	-	720	720	-

In accordance with Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company’ s retained earnings, share premium, and realized capital reserves. Shares repurchased for employees shall be transferred within three years from the date of repurchase. Those have not been transferred shall be cancelled as unissued shares of the Company.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

(q) Share-based payment

(i) Restricted stock

As of December 31, 2019 the information on restricted employee stock outstanding was as follows:

	Restricted stock FY 2017 I	Restricted stock FY 2017 II	Restricted stock FY 2019
Grant date	2017.3.20	2017.5.12	2019.3.20
Fair value on grant date (per share)	14.90	20.05	18.00
Exercise price	Stock grant	Stock grant	Stock grant
Granted units (thousand shares)	4,700	300	8,500
Vesting conditions	Note 1	Note 1	Note 1

Note 1: The employees could vest 30%, 30% and 40% of the restricted stock, respectively, if they continue to provide service to the Company for the first year, second year and thrid year. However, the actual granted units should be consider the situation of the Company’ s operating results and employees’ performance. The information about restricted stock can be accessed in the Market Observation Post System.

As of December 31, 2019 and 2018, the information on restricted employee stock outstanding was as follows:

	For the years ended December 31,	
(in thousands of shares)	2019	2018
Outstanding at beginning of period	3,360	4,800
Granted	8,500	-
Vested	(675)	(720)
Forfeited	(765)	(720)
Outstanding at end of period	10,420	3,360

For the year ended December 31, 2019, the Company issued restricted stock 8,500 thousand shares. While the Company do not have this kind of situation for the year ended December 31, 2018.

For the years ended December 31, 2019 and 2018, 765 thousand and 720 thousand shares, respectively, of restricted stock issued expired due to resignation of employees or failing to meet vesting conditions, and these shares were retired.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

(ii) Expenses resulting from share-based payments

For the years ended December 31, 2019 and 2018, the expenses resulting from share-based payment amounted to $71,033 thousand and $16,952 thousand, respectively.

(r) Earnings per share

(i) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share for the years ended December 31, 2019 and 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit(loss) attributable to ordinary shareholders of the Company

	2019	2018
Profit (loss) attributable to ordinary shareholders of the Company	$ (309,651)	49,292

2) Weighted-average number of ordinary shares

	2019	2018
Issued ordinary shares at January 1	511,651	512,271
Effect of exercise of employee stock options	-	83
Effect of restricted shares	(2,857)	(4,208)
Weighted average number ordinary shares at December 31	508,794	508,146

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the years ended December 31, 2019 and 2018, was based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2018
Profit attributable to ordinary shareholders of the Company (basic=diluted)	$ 49,292

(Continued)

2) Weighted-average number of ordinary shares (diluted)

Unit: thousands of shares

	2018
Weighted-average number of ordinary shares (basic)	508,146
Effect of employee stock bonuses if all transferred to shares	1,145
Effect of restricted shares	2,139
Weighted-average number of ordinary shares (diluted)	511,430

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price on the reporting date where the Company's option is outstanding.

Because potential ordinary shares had no dilutive effect in 2019, only disclosed basic earnings per share.

(s) Revenue from contracts with customers

(i) The details of the revenue were as follows:

		2019	2018
Geographic area			
China	$	4,032,335	4,283,049
Hong Kong		758,703	982,927
Taiwan		385,520	416,860
North America		417,953	576,755
Others		619,136	794,426
	$	6,213,647	7,054,017
Product			
Backlight products	$	5,398,482	6,073,701
Lighting products		815,165	980,316
	$	6,213,647	7,054,017

(ii) Contract balance

Trade receivables and impairment, please refer to note 6(d).

(t) Employee, and board of directors' compensation

Based on the Company's articles of incorporation approved by the Company's board of directors, annual profit after offsetting prior years' deficits should be appropriated as follows:

(i) Employee bonus, 5% and not more than 20%.

(ii) Directors' remuneration should not exceed 1%.

Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive bonus may be specified in the articles of incorporation. This articles of incorporation needs to be approved by a resolution at the shareholders' meeting.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $0 thousand and $10,498 thousand, and directors' and supervisors' remuneration amounting to $0 thousand and $700 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. If there are changes after the date of report issued, the effect of changes will be recognized as profit or loss in the following year, based on the changes in accounting estimates. Related information would be available at the Market Observation Post System website.

(u) Other revenue

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

	2019	2018
Interest income	$ 15,369	9,828
Others	56,493	7,199
	$ 71,862	17,027

(v) Non-operating gains and losses

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

	2019	2018
Loss on valuation of financial assets (liabilities) at fair value through profit or loss	$ (4,423)	(42,091)
Foreign currency exchange gain (loss), net	(25,956)	28,793
Gain on disposal of property, plant and equipment and others	7,536	41,004
	$ (22,843)	27,706

(w) Finance Costs

The finance costs for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Interest expense	$ 4,216	7,278

(Continued)

(x) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Company’s trade receivables and investments.

1) Trade receivables and others receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. The Company’s review includes external ratings, when available, and in some cases bank references. These limits are reviewed periodically. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Company’s finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

Other information about credit risk was as follows:

a) Exposure to credit risk

As of December 31, 2019 and 2018, the carrying amount of financial assets, which represents the maximum amount exposed to credit risk, was $5,116,210 thousand and $6,070,639 thousand, respectively.

b) The Company’s credit risk is mainly affected by the credit characteristics of each creditor. This is also an impact on credit risk from the business of the customer. As of December 31, 2019 and 2018, 46% and 38%, respectively, of the ending balance of trade receivables arose from sales to individual customers constituting the top ten customers for the years ended December 31, 2019 and 2018.

c) For other information on loans and receivables, please refer to note 6(d).

(ii) Liquidity risk

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

1) Based on the date on which the Company may be required to make an early repayment and on the preparation of the financial liabilities' undiscounted cash flows, including interest, but does not include the effect of any netting agreement.

2) Other non-derivative financial liabilities' maturity analysis prepared in accordance with the agreed repayment date.

3) Derivatives' net settlement maturity analysis prepared based on undiscounted cash inflows and outflows in accordance with the agreement; derivatives' gross settlement maturity analysis prepared based on total undiscounted cash inflows and outflows.

	Carrying amount	Contractual cash flows	Within 1 year	2~6 years	Over 7 years
December 31, 2019					
Non-derivative financial liabilities:					
Lease liabilities	$ 306,652	348,573	21,879	109,396	217,298
Notes and trade payables	1,448,607	1,448,607	1,448,607	-	-
Payables on equipment	52,224	52,224	52,224	-	-
Accrued expenses and other current liabilities	739,341	739,341	739,341	-	-
Derivative financial liabilities					
Outflow	17	1,024,872	1,024,872	-	-
Inflow	(13,912)	(1,038,767)	(1,038,767)	-	-
	$ 2,532,929	2,574,850	2,248,156	109,396	217,298
December 31, 2018					
Non-derivative financial liabilities:					
Bank borrowings (including bonds payable)	$ 314,400	315,972	315,972	-	-
Notes and trade payables	2,349,016	2,349,016	2,349,016	-	-
Payables on equipment	115,737	115,737	115,737	-	-
Accrued expenses and other current liabilities	362,093	362,093	362,093	-	-
Derivative financial liabilities					
Outflow	2,979	1,106,394	1,106,394	-	-
Inflow	(217)	(1,103,632)	(1,103,632)	-	-
	$ 3,144,008	3,145,580	3,145,580	-	-

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

(Continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Exposure to foreign currency risk

Some of the Company's operating activities are not measured in one of the Company's functional currencies, resulting in foreign currency exchange rate risk. To avoid a decrease in foreign currency asset value because of exchange rate changes and fluctuations of future cash flows, the Company uses derivatives to hedge exchange rate risk.

The Company's significant exposure to foreign currency risk was as follows:

(in thousands)	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 85,633	30.135	2,580,543	121,856	30.802	3,753,408
Non-Monetary items						
Forward exchange agreement & exchange rate SWAP						
USD	462	30.135	13,912	6	30.802	190
JPY	-	-	-	97	0.2775	27
Long-term investment under equity method						
USD	124,830	30.135	3,761,739	129,885	30.802	4,000,703
Financial liabilities						
Monetary items						
USD	47,921	30.135	1,444,098	74,391	30.802	2,291,384
JPY	19,324	0.2768	5,349	94,412	0.2775	26,158
Non-Monetary items						
Forward exchange agreement & exchange rate SWAP						
USD	0.564	30.135	17	97	30.802	2,979

For detailed information on forward exchange agreements, please refer to note 6(b).

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2019 and 2018, would have increased or decreased the net profit before tax by $11,450 thousand and $14,359 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

2) Interest rate analysis

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

	Carrying amount	
	December 31, 2019	**December 31, 2018**
Variable-rate instruments:		
Financial assets	$ 2,890,761	2,604,654

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by $7,227 thousand and $6,512 thousand for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Company's financial liabilities at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

3) Other price risk

If the stock price had changed on the reporting date, the changes in other comprehensive income of the Company would have been as follows (The analysis was made on the same basis for both periods, assuming that all other variables remain constant and any impact of forecasted sales and purchases was ignored.):

	For the years ended December 31			
	2019		**2018**	
Stock price	**Other comprehensive income (before tax)**	**Net income (before tax)**	**Other comprehensive income (before tax)**	**Net income (before tax)**
Increase by 10%	$ 6,494	-	5,909	-
Decrease by 10%	$ (6,494)	-	(5,909)	-

(Continued)

4) Fair value of financial instruments

a) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	$ 13,912	-	-	13,912	13,912
Financial assets at fair value through other comprehensive income					
Listed equity investment	$ 64,935	64,935	-	-	64,935
Financial assets at amortized cost					
Cash and cash equivalents	$ 2,879,112				
Notes and trade receivables, net	2,141,423				
Other financial assets	19,907				
	$ 5,040,442				
Financial liabilities at fair value through profit or loss					
Held-for-trading financial liabilities	$ 17	-	-	17	17
Financial liabilities carried at amortized cost					
Notes and trade payables	$ 1,448,607				
Other financial liabilities	499,523				
	$ 1,948,130				

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	$ 217	-	-	217	217

	December 31, 2018				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed equity investment	$ 59,085	59,085	-	-	59,085
Financial assets at amortized cost					
Cash and cash equivalents	$ 2,594,205				
Notes and trade receivables, net	3,415,011				
Other financial assets	12,700				
	$ 6,021,916				
Financial liabilities at fair value through profit or loss					
Held-for-trading financial liabilities	$ 2,979	-	-	2,979	2,979
Financial liabilities carried at amortized cost					
Convertible bonds (part of liabilities)	$ 314,400				
Notes and trade payables	2,349,016				
Other financial liabilities	477,830				
	$ 3,141,246				

b) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

The financial instruments held by the Company are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.

(Continued)

- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the consolidated balance sheet.

ii) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

c) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	For the years ended December 31,				
	2019		2018		
		Forward exchange	Forward exchange	Convertible bonds	Total
Balance on January 1	$	(2,762)	12,737	31	12,768
Recognized in profit or loss		(4,423)	(42,060)	(31)	(42,091)
Recognized in other comprehensive income		-	-	-	-
Purchase/Disposal/Redemption		21,080	26,561	-	26,561
Balance on December 31	$	13,895	(2,762)	-	(2,762)

The aforementioned total gains and losses were recognized in “other gains and losses” and “Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income” The details of the assets which the Company still held as of December 31, 2019 and 2018, were as follows:

		2019	2018
Recognized in profit or loss (accounted for as “other gains and losses”)	$	13,895	(2,762)

d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss－derivative financial instruments”, “financial assets measured at fair value through other comprehensive income －unlisted equity investments”, “pull option and call option of convertible bonds”. The fair value of these financial instruments are resulting from the quotation of third party or binomial trees pricing model, and didn’t use any variety of unobservable inputs to calculate.

Financial assets at fair value through other comprehensive income-unlisted equity investment that quantified information on significant unobservable inputs were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income –Contingent consideration	Discounted Cash Flow Method	• P/B Ratio 1.01 and 0.94, respectively, at December 31, 2019 and 2018. • Risk-adjusted discount rate 29.02% and 40.20%, respectively, at December 31, 2019 and 2018.	• P/B Ratio growth were higher; • the risk-adjusted discount rate higher were lower.

e) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions by 10% to reflect reasonably possible alternative assumptions would have the following effects:

	Input value	Up or down variable	Other comprehensive income Favour-variable	Other comprehensive income Unfavour-variable
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without active market	Liquidity discount	±10%	1,586	(1,586)
December 31, 2018				
Financial assets at fair value through other comprehensive income				
Investment in equity instrument without active market	Liquidity discount	±10%	1,445	(1,445)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Note 6(x) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(z) Capital management

The Company manages capital to safeguard the capacity to continue to operate and to safeguard the certainly and stability of its financial resources. The management uses the asset-liability ratio to manage capital. As of December 31, 2019 and 2018, the Company's asset-liability ratios were 19% and 23%, respectively.

As of December 31, 2019, there were no changes in the Company's approach to capital management.

(aa) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities, which do not affect the current cash flow, for the years ended December 31, 2019 and 2018, were as follows:

(i) For conversion of convertible bonds to ordinary shares, please refer to notes 6(k) and (p).

(ii) For issuance and retirement of restricted employee stock, please refer to notes 6(p) and (q).

(iii) For retirement of treasury stock, please refer to note 6(p).

(iv) Acquisition of Right-of-use assets by lease, please refer to note 6(h).

(v) Reconciliation of liabilities arising from financing activities were as follows:

		January 1, 2019	Cash flows	Non-Cash flows	December 31, 2019
Repayment of corporate bonds	$	314,400	(314,400)	-	-
Payment of lease principal and interest		324,315	(21,879)	4,216	306,652
	$	638,715	(336,279)	4,216	306,652

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(b) Name and relationship with related parties

Related -party have a transaction with the Company, for the year ended December 31, 2019, were as follows:

Name of related party	Relationship with the Company
AU Optronics Corp.	The entity with significant influence over the Company
Cree INC.	〃
Cree International S.a.r.l	〃
Darwin Precisions (Xiamen) Co., Ltd.	Other related party (The entity which the parent company with significant influence over the Company)
Darwin Precisions Co., Ltd.	〃
Darwin Precisions(Suzhou) Co., Ltd.	〃
AU Optronics (Suzhou) Corporation	〃
AU Optronics (Xiamen) Corporation	〃
Briview Electronics (Hefei) co. ltd.	〃
Fortech Electronics (Suzhou) Co., Ltd.	〃
Fortech Electronics (Kunshan) Co., Ltd.	〃
AUO Crystal Corp.	〃
Cree Hong Kong Limited	〃
U-FRESH TECHNOLOGY INC.	〃

(Continued)

Wellysun Inc.	Other related party
Key management personnel	Key management personnel of the Company
Lextar (Singapore) Pte. Ltd.(LEXSG)	Subsidiary of the Company
Liang Li Investment Co., Ltd. (Liang Li)	〃
WELLYPOWER OPTRONICS CORP. (WELLYPOWER)	〃
APOWER OPTRONICS CORP. (APOWER)	〃
Wellybond Corporation (Wellybond)	〃
WELLYBOND OPTRONICS (H.K.) LIMITED (WELLYBOND (H.K.))	〃
TRENDYLITE CORPORATION (TRENDYLITE)	〃
First vertical Laser Inc. (First vertical)	〃
Hexawave Inc. (Hexawave)	〃
Lextar Electronics (SuZhou) Co., Ltd. (LEXZ)	Second-tier subsidiary
Lextar Electronics Korea Ltd.	〃
Lextar Electronics (Xiamen) Co., Ltd. (LEXM)	〃
Wellypower Optronics (SuZhou) Corporation (Wellypower (SuZhou))	〃
VOGITO INNOVATION CO., LTD. (VOGITO)	〃
Lextar Electronics (Chuzhou) Corp. (LEXCZ)	〃

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the entity and related parties were as follows:

	Sales	
	2019	**2018**
Entities with significant influence over the Company	$ 419,450	650,181
Other related party	941,963	1,404,598
	$ 1,361,413	**2,054,779**

	Trade receivables-related party	
	December 31, 2019	**December 31, 2018**
Entities with significant influence over the Company	$ 100,544	162,607
Other related party	274,991	448,300
Subsidiaries		
LEXZ	25,433	295,095
LEXCZ	447,442	697,893
Others	13,581	55,574
	$ 861,991	1,659,469

The Company’ s sales to related parties are at prices similar to normal sales to third parties. The transaction terms with related parties for the years ended December 31, 2019 and 2018 were about 45 to 120 days, which were not significantly different from those with third-party customers.

The amount of the company's sales to subsidiaries for the years 2019 and 2018 were $2,446,422 thousand and $2,872,178 thousand, respectively. The related sales revenue and cost of goods sold were reversed considering the transaction risks and rewards were not transferred while the trade receivables, trade payables and inventories remain on account.

(ii) Purchases

The amounts of significant purchase transactions, original equipment manufacturer (OEM) transactions, and outstanding balances between the Company and its related parties were as follows:

	Purchases	
	2019	**2018**
Subsidiaries		
LEXZ	$ 671,993	3,060,003
LEXCZ	2,904,197	665,136
Others	103,182	309,523
	$ 3,679,372	4,034,662

	Trade payables-related party	
	December 31, 2019	**December 31, 2018**
Subsidiaries		
LEXZ	$ 139,491	779,550
LEXCZ	729,338	348,272
Others	15,591	90,281
	$ 884,420	1,218,103

(Continued)

The prices of purchases and the OEM transactions depend on the products. There were no significant differences between the terms of purchase transactions with related enterprises and those carried out with other normal vendors.

(iii) Operating leases

The Company leased the plant, dormitory and office with significant influence individuals, and signed long-term lease contracts in which the rental fee is determined based on nearby rental rates. The rental expenses for the 2018 were $11,768 thousand. The outstanding balances on December 31, 2018 were 0 thousand. The Company applied IFRS 16 for the lease, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amounts of $109,689 thousand and $109,689 thousand of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Company recognized the amount of $1,426 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to $99,347 thousand.

(iv) Property transaction

The Company prepaid equipment of $7,102 thousand (USD$225 thousand) to the entity with significant influence over the Company for the year ended December 31, 2019. As of December 31, 2019, the transaction had not been completed.

(d) Key management personnel compensation

Key management personnel compensation comprised:

		2019	2018
Short-term employee benefits	$	49,589	56,967
Post-employment benefits		752	660
Termination benefits		-	-
Other long-term employee benefits		-	-
Share-based payments		42,402	15,969
	$	**92,743**	**73,596**

Please refer to note 6(q) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object		December 31, 2019	December 31, 2018
Other financial asset-current	Guarantee for land lease	$	8,700	-
Other financial assets (classified under other non-current financial assets)	Guarantee for land lease		3,079	10,579
		$	**11,779**	**10,579**

(9) Commitments and contingencies:

(a) The aggregate unpaid amounts of contracts pertaining to the sell and purchase of property, plant and equipment were as follows:

		December 31, 2019	December 31, 2018
Acquisition of equipment	NTD	$ 195,949	284,920

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

		December 31, 2019	December 31, 2018
Guarantee notes issued	USD	$ 10,000	30,000
Guarantee notes issued	NTD	$ 1,200,000	4,180,000

(c) The amounts of unused letters of credit of the Company were as follows:

		December 31, 2019	December 31, 2018
Unused letters of credit	USD	$ -	26

(d) The Company entered into patent license agreements with several companies. According to the agreements, the Company shall pay a certain amount of royalty based on sales.

(e) The Company entered into supply agreements and patent license agreements with Cree Inc. According to the agreements, the Company shall keep a sufficient capacity, and shall pay a certain amount of royalty based on the sales of products authorized.

(f) The Company entered into agreements with the government regarding the replacement of street lights; it also subcontracted with another vendor, wherein the Company has to fulfill its obligations.

(g) The Company entered into non-cancellable operating purchases agreements with supplier. Estimated future purchase amount will be USD$66 thousand amount.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the years ended December 31, 2019			For the years ended December 31, 2018		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Employee benefit expenses						
Salaries	619,226	634,235	1,253,461	761,766	557,305	1,319,071
Labor and health insurance	54,874	45,987	100,861	69,304	42,700	112,004
Pension	23,243	23,432	46,675	28,462	23,549	52,011
Compensation of director	-	11,740	11,740	-	12,259	12,259
Others	47,897	22,525	70,422	9,919	10,702	20,621
Depreciation (Note)	415,970	105,324	521,294	549,781	58,398	608,179
Amortization	65,984	34,698	100,682	61,612	45,937	107,549

Note: Excluding investment property, the depreciation for the year ended December 31, 2019, was $6,171 thousand. It’s accounted under the deduction of rental income. It was no such situation in 2018.

As of December 31, 2019 and 2018, the addititonal information for employee numbers and employee benefits were as follows:

	2019	2018
Employee number	1,432	1,746
Directors not in concurrent employment number	6	6
Average employee benefits	$ 1,032	864
Average employee salaries	$ 879	758
Average adjustment rate for salaries	16%	

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

LEXTAR ELECTRONICS CORPORATION
Notes to the Financial Statements

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period (Note 5)	Ending balance (Note 3)	Amount actually drawn	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 2)
1	APOWER	LEXZ	Other receivables from related parties	Yes	201,968	-	-	2%	2	-	Operating capital	-	-	-	909,490	909,490
2	APOWER	LEXCZ	Other receivables from related parties	Yes	201,773	195,878	195,878	2%	2	-	Operating capital	-	-	-	909,490	909,490
3	LEXSG	LEXZ	Other receivables from related parties	Yes	139,824	-	-	2%	2	-	Operating capital	-	-	-	1,088,035	1,970,587
4	LEXSG	LEXCZ	Other receivables from related parties	Yes	139,689	135,608	135,608	2%	2	-	Operating capital	-	-	-	1,088,035	1,970,587
5	LEXZ	LEXCZ	Other receivables from related parties	Yes	526,668	518,364	172,788	1%	2	-	Operating capital	-	-	-	1,088,035	2,536,061
6	Wellypower (Suzhou) (note 7)	LEXZ	Other receivables from related parties	Yes	732,464	-	-	1%	2	-	Operating capital	-	-	-	1,088,035	1,527,236
7	Wellypower (Suzhou) (note 7)	LEXCZ	Other receivables from related parties	Yes	274,674	-	-	1%	2	-	Operating capital	-	-	-	1,088,035	1,527,236

Note 1: The total amount of lending to companies shall not exceed 40% of the lending company ‘s net worth in the latest financial statements ; the number of overseas subsidiaries shall not exceed 80% of the borrowing company ‘s net worth and not exceed 40% of the lending company ‘s net worth in the latest financial statements

Notes2: The total amount of lending to a single company shall not exceed 10% of the lending company ‘s net worth in the latest financial statements ; the number of overseas subsidiaries shall not exceed 80% of the borrowing company ‘s net worth and not exceed 10% of the lending company ‘s net worth in the latest financial statements

Note 3: The amounts were approved by the board of directors.

Note 4: Nature of financing activities is as follows:

(1) if there are transactions between these two parties, the number is “1”.

(2) if it is necessary to loan to other parties, the number is “2”.

Note 5: The highest balance of financing to other parties in foreign currencies was translated based on the highest exchange rate during the year; the ending balance and amount actually drawn in foreign currencies were translated based on the exchange rate at the reporting date.

Note 6: Transactions within the Group were eliminated in the consolidated financial statements.

Note 7: The Group merges LEXZ with Wellypower (SuZhou) in July 2019. LEXZ is the surviving company, and Wellypower (SuZhou) was dissolved upon completion of merger. The relevant liquidation procedures were completed in January 2020.

(ii) Guarantees and endorsements for other parties: None

(Continued)

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Jhong Wei Corporation	NO	Financial assets measured at FVOCI–non-current	157	-	-	-	
〃	CHINA ELECTRIC MFG. CORPORATION	〃	〃	5,850	64,935	1.63 %	64,935	
Wellybond	WELLYSUN INC.	(Note 2)	〃	2,400	11,256	8.39 %	11,256 (Note 1)	
〃	CHINA ELECTRIC MFG. CORPORATION	NO	〃	2,110	23,417	0.59 %	23,417	
First vertical	CoreOptics Technology Inc.	NO	〃	300	3,000	10.70 %	3,000	

Note 1: According to appraisal report.

Note 2: Wellybond is a director of WELLYSUN INC.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain (loss) from disposal	Counter-party	Relationship With company	Disposition purpose	Reference for deternniming price	Others
WPSZ	Property, plant and equipment and intangible assets	2018.11.19 ~2019.03.31	Note 1	104,011	651,134	Full recovery	547,123	Suzhou Industrial Park Wei Ting Town Feng Ting Avenue	Non-related-party	Future operational planning and optimize asse use benefit	Valuation report	

Note 1: The Group acquired factory and long-term lease prepayment on Feburary 1, 2013.

LEXTAR ELECTRONICS CORPORATION

Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	LEXZ	Indirect subsidiary	Purchase	671,993	12%	Note 4	Note 2	Note 2	(139,491)	(10)%	
〃	LEXCZ	〃	Purchase	2,904,197	50%	〃	〃	〃	(729,338)	(50)%	
〃	LEXM	〃	Purchase	102,334	2%	〃	〃	〃	(13,523)	(1)%	
〃	Cree Hong Kong Limited	Other related party	Sale	(226,169)	(4)%	〃	Note 3	Note 3	40,599	2%	
〃	Fortech Electronics (Suzhou) Co., Ltd.	〃	Sale	(261,470)	(4)%	〃	〃	〃	96,799	5%	
〃	Briview Electronics (Hefei) Co., Ltd.	〃	Sale	(139,537)	(2)%	〃	〃	〃	22,582	1%	
〃	AU Optronics (Xiamen) Corporation	〃	Sale	(187,072)	(3)%	〃	〃	〃	79,908	4%	
〃	Cree Inc.	An entity with significant, influence over the Company	Sale	(364,198)	(6)%	〃	〃	〃	67,304	3%	
LEXZ	The Company	Indirect subsidiary	Sale	(671,993)	(27)%	〃	Note 3	Note 3	139,491	22%	
〃	LEXCZ	〃	Sale	(158,070)	(6)%	〃	〃	〃	40,585	6%	
〃	〃	〃	Purchase	1,517,614	83%	〃	Note 2	Note 2	(298,533)	(75)%	
LEXCZ	The Company	〃	Sale	(2,904,197)	(52)%	〃	Note 3	Note 3	729,338	55%	
〃	LEXZ	〃	Sale	(1,517,614)	(27)%	〃	〃	〃	298,533	23%	
〃	〃	〃	Purchase	158,070	3%	〃	Note 2	Note 2	(40,585)	(2)%	
LEXM	The Company	〃	Sale	(102,334)	(64)%	〃	Note 3	Note 3	13,523	77%	

Note 1: Excluding sales returns, discounts and allowances.

Note 2: The purchase prices and payment terms with related parties were not significantly different from those with third parties.

Note 3: The sales prices and payment terms with related parties were not significantly different from with third parties.

Note 4: The transaction terms with related parties were about 45 to 120 days; they were not significantly different from those with third parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
The Company	LEXCZ	Indirect subsidiary	447,442 (notes 2 and 3)	3.92	2,620	-	125,493	-
LEXZ	The Company	Indirect subsidiary	139,491 (notes 2)	1.46	95	-	77,510	-
LEXCZ	The Company	Indirect subsidiary	729,338	5.39	-	-	385,260	-
〃	LEXZ	〃	298,533	4.63	117,256	-	160,504	-

(Continued)

Note 1: Until February 28th, 2020.

Note 2: The trade receivables resulted from the sale of products. The related sales revenue was reversed considering the transaction risks and rewards were not transferred while the accounts receivable remain on account.

(ix) Trading in derivative instruments: Please refer to notes 6(b) and (x).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership	Balance as of December 31, 2019: Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	LEXSG	Singapore	Investment corporation	2,709,310	2,709,310	90,270	100.00%	2,463,234	89,190	89,190	
〃	WELLYPOWER	British Virgin Islands	Investment corporation	44,898	44,898	5,153	100.00%	150,004	(25,121)	(25,121)	
〃	APOWER	British Virgin Islands	Investment corporation	425,633	425,633	31,600	100.00%	1,136,862	(158,870)	(158,870)	
〃	WELLYBOND (H.K.)	Hong Kong	Investment corporation	17,888	17,888	63,000	100.00%	11,639	7	7	
〃	Liang Li	Taiwan	Investment corporation	25,374	25,374	3,000	100.00%	21,353	(3,462)	(3,462)	
〃	WELLYBOND	Taiwan	Investment corporation	396,484	396,484	40,000	100.00%	298,219	(46,915)	(46,915)	
〃	TRENDYLITE	Taiwan	Sale of products	18,100	20,000	2,407	90.50%	35,126	7,096	6,793	
〃	First vertical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	93,616	5,463	5,699	23.10%	73,066	(85,094)	(20,808)	
〃	Hexawave	Taiwan	Manufacturing and sales of compound semiconductor materials and modules	147,506	-	12,716	31.69%	134,733	(47,285)	(12,772)	
Wellybond	VOGITO	Taiwan	Design of lighting	1,000	1,000	100	50.00%	875	(268)	(134)	
〃	First vertical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	114,081	65,332	6,879	27.88%	89,097	(85,094)	(25,297)	
〃	Hexawave	Taiwan	Manufacturing and sales of compound semiconductor materials and modules	147,494	-	12,715	31.68%	134,722	(47,285)	(12,772)	
LEXSG	Lextar Electronics Korea Ltd.	Korea	Sale of light-emitting diodes and after-sales service	3,025	3,025	22	100.00%	3,822	310	310	
〃	AURORA	Hong Kong	Sale of lighting	204,136	204,136	2,000	20.00%	205,416	62,280	15,111	
Liang Li	First Ventical Laser Inc.	Taiwan	Design and manufacturing VCSEL Lei epis	15,332	-	950	3.85%	11,953	(85,094)	(3,423)	

(c) Information on investment in mainland China:

(i) The Company

1) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 4)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee (note 1)	Percentage of ownership	Investment income (losses) (note 1)	Book value (note 3)	Accumulated remittance of earnings in current period
LEXZ	Manufacture of light-emitting diodes (wafers, light bars, modules)	2,394,130	(3)	2,394,130 (Note 2)	-	-	2,394,130 (Note 2)	(590,534)	100.00%	(590,534)	3,170,076	-
Wellypower (Su Zhou)	Manufacture and sale of CCFL, LED and PCB surface mount technology	1,180,445	(3)	1,191,730 (Note 2)	-	-	1,191,730 (Note 2)	538,171	100.00%	538,171	-	-
LEXCZ	Manufacture of light-emitting diodes (wafers, light bars, modules)	2,795,588	(3)	-	-	-	-	(689,818)	100.00%	(689,818)	2,386,585	-
Chuzhou Bwin	R&D, production and sale metals and plastics technical product	215,985	(3)	-	-	-	-	(16,723)	48.00%	(8,027)	95,954	-
LEXM	Manufacture of light-emitting diodes (wafers, light bars, modules)	32,759	(3)	32,759	-	-	32,759	(63,064)	100.00%	(63,064)	11,128	-

Note 1: The investment income (losses) were based on the investee's financial statements using the average exchange rate for the year ended December 31, 2019, and being reviewed by the Headquarter's engagement auditor.

Note 2: The Group merges LEXZ with Wellypower (SuZhou) in July 2019. LEXZ is the surviving company, and Wellypower (SuZhou) was dissolved upon completion of merger. The relevant liquidation procedures were completed in January 2020.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date.

Note 4: The method of investment is divided into the following five categories:

(1) Remittance from third-region companies to invest in Mainland China.

(2) Through the establishment of third-region companies, then investing in Mainland China.

(3) Through transfer of investment to third-region existing companies, then investing in Mainland China.

(4) Direct investment in Mainland China.

(5) Other method.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
3,633,067	4,044,862	6,528,208

(ii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated interim financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

(a) General information

Please refer to consolidated financial statements as of December 31, 2019.

(Continued)

Lextar Electronics Corporation

Statement of cash and cash equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand and petty cash		$ 130
Cash in banks		
Demand deposits		219,077
Foreign currency deposits	Mainly USD$15,485 thousand; Exchange rate 30.135	467,736
Time deposits	Due date: 2020.1.9~2020.5.21	1,512,169
Bond acquired under repurchase agreement	Due date: 2020.1.8; Rate: 0.450%	680,000
		$ 2,879,112

Statement of trade receivables

Customer Name	Description	Amount
Non-related parties		
Corporation G	Operating	$ 243,194
Corporation H	〃	190,584
Corporation E	〃	152,910
Corporation X	〃	67,499
Others (less than 5% for each customer)	〃	632,310
Subtotal		1,286,497
Less: Loss allowance		7,065
Total		**$ 1,279,432**

Lextar Electronics Corporation

Statement of inventories

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Raw materials	$ 41,791	41,868
Less: Allowance for inventory valuation and obsolescence	(4,361)	
	37,430	
Work in process	301,811	357,760
Less: Allowance for inventory valuation and obsolescence	(34,908)	
	266,903	
Finished goods	250,575	204,284
Less: Allowance for inventory valuation and obsolescence	(49,417)	
	201,158	
Total	**$ 505,491**	**603,912**

Lextar Electronics Corporation

Statement of other current assets

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Other prepaid expenses	Prepaid signing contract bonus, and so on	$ 35,338
Input taxes		17,229
Prepayments		5,767
Temporary payments		5,503
Prepaid insurance		5,436
Others (less than 5% for each item)		3,049
		$ 72,322

Statement of other non-current assets

Item	Description	Amount
Long-term prepaid expense	Prepaid royalty, and so on	$ 100,118
Prepaid pension		40,159
Refundable deposits		8,308
Restricted deposits		3,079
		$ 151,664

Lextar Electronics Corporation

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Addition (Decrease)		Investment	Cumulative		Ending balance			Market value or net asset value		
Investee Name	**Shares**	**Amount**	**Shares**	**Amount**	**gain (loss)**	**translation adjustment**	**Other adjustments**	**Shares**	**% of ownership**	**Amount**	**Unit Price**	**Total Amount**	**Guarantee or pledged**
LEXSG	90,270	$ 2,379,270	-	-	89,190	(5,226)	-	90,270	100%	2,463,234	-	2,463,234	none
Liang Li	3,000	24,772	-	-	(3,462)	-	43 (Note 2)	3,000	100%	21,353	-	21,353	〃
WELLYPOWER	5,153	193,165	-	-	(25,121)	(18,040)	-	5,153	100%	150,004	-	150,004	〃
APOWER	31,600	1,416,379	-	-	(158,870)	(120,647)	-	31,600	100%	1,136,862	-	1,136,862	〃
Wellybond	40,000	340,095	-	-	(46,915)	-	5,039 (Note 1)	40,000	100%	298,219	-	298,219	〃
WBHK	63,000	11,889	-	-	7	(257)	-	63,000	100%	11,639	-	11,639	〃
Trendylite	2,000	31,716	407	(3,013)	6,793	-	(370) (Note 3)	2,407	90.5%	35,126	-	35,126	〃
First Vertical	250	5,463	5,449	88,153	(20,808)	-	258 (Note 2)	5,699	23.10%	73,066	-	73,066	〃
Hexawave	-	-	12,716	147,505	(12,772)	-	-	12,716	31.69%	134,733	-	134,733	〃
Total		$ 4,402,749		232,645	(171,958)	(144,170)	4,970			4,324,236		4,324,236	

Note 1: Unrealized gains from financial assets measured at fair value through other comprehensive income amounts to $4,726 thousand and unrealized losses from adjustment according to shareholding ratio amounts to $313 thousand.

Note 2: This is the amount of adjustment according to shareholding ratio.

Note 3: This is the difference between consideration and carrying amount of Trendylite disposed.

Lextar Electronics Corporation

Statement of changes in property, plant and equipment

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(g) to this parent company only financial statement for details.

Statement of changes in right-of-use assets

Please refer to note 6(h) to this parent company only financial statement for details.

Statement of changes in intangible assets

Please refer to note 6(i) to this parent company only financial statement for details.

Lextar Electronics Corporation

Statement of trade payables

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Supplier Name	Description	Amount
Non-related parties:		
Corporation AB	Operation	$ 108,810
Corporation AS	〃	56,126
Corporation AC	〃	38,631
Others (less than 5% for each supplier)	〃	360,620
Total		$ 564,187

Statement of other current liabilities

December 31, 2019

Item	Description	Amount
Salary Payables and bonuses		$ 183,547
Others (less than 5% for each item)	Payables to royalty, Labor and health insurance, Unearned revenue, fuel and daily expenditures	555,794
		$ 739,341

Lextar Electronics Corporation

Statement of operating revenue

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Backlight product	2,239,199 thuosand units / 70,011 thousand strips	$ 5,398,482
Lighting product	472,562 thuosand units / 477 thousand PCS	815,165
		$ 6,213,647

Lextar Electronics Corporation

Statement of operating costs

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Raw materials, beginning of year	$ 82,597
Add: Purchases	697,100
Less: Raw materials, end of year	(41,791)
Transfer from departmental materials to expense, disposal, and others	(556,060)
Sell of raw materials	76,008
Rsw materials used for the year	257,854
Direct labor	354,883
Manufacturing expenses	1,800,150
Manufacturing cost	2,412,887
Add: Work in process, beginning of year	448,868
Unrealized cost, adjustment of difference, disposal, departmental materials, and others	(267,240)
Less: Work in process, end of year	(301,811)
Cost of finished goods	2,292,704
Add: Finished goods, beginning of year	399,890
Purchases	4,194,704
Less: Finished goods, end of year	(250,575)
Unrealized cost, disposal, and others	(1,791,185)
Cost of goods sold	4,845,538
Add: Cost of raw materials sold	(76,008)
Unallocated fixed overheads due to idle capacity	46,447
Loss on inventory impairment and obsolescence	92,702
Warranty liability of inventory, and others	159,434
Less: Revenue from sale of scraps	(13,402)
Operating cost	**$ 5,054,711**

Lextar Electronics Corporation

Statement of operating expense

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salary expenses and bonuses	$ 194,304	141,770	309,901
Import and Export expenses	20,550	1	447
Royalty fee	109,606	728	93
Amortization expenses	20,904	11,892	1,902
Freight expenses	17,922	3,374	5,797
Service charges	5,944	7,624	5,094
Insurance expenses	638	12,550	158
Indirect material cost	8,988	-	66,319
Depreciation expenses	1,027	26,748	77,549
Others (less than 5% for each item)	96,532	45,508	151,362
	$ 476,415	**250,195**	**618,622**

Statement of lease liabilities

December 31, 2019

Item	Lease period	Discount rate	Ending balance		Note
Land	2010/6/9~2043/12/31	1.30%	$	207,305	
Building	2016/11/1~2028/12/31	1.30%		99,347	
			$	**306,652**	

隆達電子股份有限公司

Chairman

Lextar 隆達電子
Lextar Electronics