PANJIT INTERNATIONAL INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

31 December 2019 AND 2018

Address: No.24, Gangshan N. Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.
Telephone: 886-7-621-3121

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

EY 安永
Building a better working world

安永聯合會計師事務所
80052 高雄市中正三路2號17樓
17F, No. 2, Zhongzheng 3rd Road
Kaohsiung City, Taiwan, R.O.C.

Tel: 886 7 238 0011
Fax: 886 7 237 0198
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To PANJIT INTERNATIONAL INC.

Opinion

We have audited the accompanying consolidated balance sheets of PANJIT INTERNATIONAL INC. (the "Company") and its subsidiaries as of 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2019 and 2018, and their consolidated financial performance and cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. 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.

Key audit matters for the Company's consolidated financial statements for the year ended 31 December 2019 are stated as follows:

1. Revenue Recognition

   Consolidated operating revenues of the Company and its subsidiaries amounted to $9,142,650 thousand for the year ended 31 December 2019. The main revenue source is producing and selling diodes. As the operation spanned globally and the product combination and pricing methods were diverse, so it requires judgment of determining the performance obligation and when it is satisfied. Therefore, we considered this a key audit matter.

   Our audit procedures included (but are not limited to) assessing the appropriateness of the accounting policy of revenue recognition; testing the design and operating effectiveness of internal controls around revenue recognition by management, including identifying completeness of performance obligation of client contract and the accounting treatment of the timing of revenue recognition; performing analytical procedures on gross margin by products and departments; selecting samples to perform test of details and reviewing significant terms and conditions of contracts; performing cutoff procedures and reviewing subsequent periods to verify that revenue has been recorded in the correct accounting period. In addition, we also considered the appropriateness of the disclosures of sales. Please refer to Notes 4 and 6 to the Company's consolidated financial statements.

2. Evaluation of Inventories

   As of 31 December 2019, the Company and its subsidiaries' net inventories amounted to $1,638,227 thousand, constituting 11% of consolidated total assets. Inventories are stated at the lower of cost and net realizable value. Evaluation involves management's significant accounting estimation and judgement, and the carrying amount of inventories is material to consolidated financial statements, we therefore considered this a key audit matter.

   Our audit procedures included (but are not limited to) assessing the appropriateness of the accounting policy of inventories evaluation, reviewing samples from the physical quantity against the book quantity, and assessing the management's estimates of net realizable value by inventories evaluation, including confirmation of the unit cost and cost records, confirming the recent sales records of price data, testing inventories aging interval and if write-downs were recognized according to the policy. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 4, 5 and 6 to the Company's consolidated financial statements.

Emphasis of Matter - Applying New Accounting Standards

As stated in Note 3 to the consolidated financial statements, the Company and its subsidiaries applied the International Financial Reporting Standard 16, "Lease" starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee , are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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 ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements 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.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2019 and 2018.

Ernst & Young, Taiwan

Ernst & Young

23 March 2020

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December, 2019 and 2018

(Expressed in Thousand of New Taiwan Dollars)

		31 December , 2019		31 December , 2018	
Assets	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	6(1)	$1,131,522	7	$1,559,623	10
Financial assets at fair value through profit or loss, current	6(2)	1,410,989	9	31,730	0
Financial assets measured at amortized cost,current	6(4)	-	-	178,880	1
Notes receivable,net	6(5)(21)	484,044	3	270,517	2
Trade receivable, net	6(6)(21)	2,904,296	19	3,230,917	21
Trade receivable-related parties, net	6(6)(21), 7	42,042	0	35,125	0
Other receivable, net		417,009	3	37,464	0
Other receivables-related parties, net	7	31,094	0	25,258	0
Inventories, net	6(7)	1,638,227	11	2,013,153	13
Prepayments		335,241	2	413,124	3
Other current assets	8	82,675	1	64,055	0
Total current assets		8,477,139	55	7,859,846	50
Non-current assets					
Financial assets at fair value through profit or loss, noncurrent	6(2)	-	-	92,944	0
Financial assets at fair value through other comprehensive income, noncurrent	6(3)	785,516	5	893,422	6
Financial assets measured at amortized cost, noncurrent	6(4)	334,482	2	-	-
Investments accounted for under the equity method	6(8)	421,218	3	416,438	3
Property, plant and equipment	6(9),7,8	3,165,965	21	5,279,567	34
Right-of-use asset	6(22)	1,349,181	9	-	-
Intangible assets	6(10),11	328,967	2	332,043	2
Deferred tax assets	6(26)	408,628	3	339,759	2
Prepayment for equipments		64,463	0	138,485	1
Refundable deposits		47,922	0	50,421	0
Long-term prepaid rent		-	-	333,798	2
Other assets-others		38,615	0	13,713	0
Total non-current assets		6,944,957	45	7,890,590	50
Total assets		$15,422,096	100	$15,750,436	100

		31 December , 2019		31 December , 2018	
Liabilities and Equity	Notes	Amount	%	Amount	%
Current liabilities					
Short-term loans	6(12), 8	$2,195,201	14	$2,268,535	14
Financial liabilities at fair value through profit or loss, current	6(13)	102	0	3,655	0
Contract liabilities,current	6(20)	112,614	1	85,588	1
Notes payable	6(14)	515,112	3	92,558	1
Trade payable		1,190,243	8	1,331,311	8
Trade payable-related parties, net	7	55,001	1	62,209	0
Other payables		715,349	5	918,279	6
Other payables-related parties, net	7	39,264	0	42,129	0
Current tax liabilities	6(26)	143,599	1	42,144	0
Lease liabilities, current	6(22)	31,251	0	-	-
Financial lease commitments, current	6(17)	-	-	13,285	0
Other current liabilities		46,457	0	16,611	0
Total current liabilities		5,044,193	33	4,876,304	30
Non-current liabilities					
Long-term loans	6(16),8	3,411,195	22	3,191,030	20
Deferred tax liabilities	6(26)	74,557	0	90,332	1
Lease liabilities, noncurrent	6(22)	190,326	1	-	-
Financial lease commitments, non current	6(17)	-	-	178,442	1
Long-term deferred revenue	6(15)	124,062	1	347,832	2
Defined benefit liabilities	6(18)	108,601	1	106,284	1
Other non-current liabilities		95,291	1	277,678	2
Total non-current liabilities		4,004,032	26	4,191,598	27
Total liabilities		9,048,225	59	9,067,902	57
Equity attributable to the parent company					
Capital					
Common stock	6(19)	3,328,149	22	3,697,944	23
Capital Surplus	6(19)	2,202,946	14	2,196,674	14
Retained earnings	6(19)				
Legal reserve		186,432	1	108,104	1
Special reserve		525,032	3	254,865	2
Unappropriated earnings		723,373	5	783,283	5
Total retain earnings		1,434,837	9	1,146,252	8
Other components of equity		(717,237)	(5)	(525,032)	(3)
Total equity attributable to the parent company		6,248,695	40	6,515,838	42
Non-controlling interests	6(19)	125,176	1	166,696	1
Total equity		6,373,871	41	6,682,534	43
Total liabilities and equity		$15,422,096	100	$15,750,436	100

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in Thousand of New Taiwan Dollars)

Items	Notes	2019		2018	
		Amount	%	Amount	%
Operating revenues	6(20),7	$9,142,650	100	$11,365,605	100
Operating costs	6(7).(23),7	(7,221,040)	(79)	(8,827,862)	(78)
Gross profit		1,921,610	21	2,537,743	22
Operating expenses	6(21).(22).(23)				
Selling expenses		(490,098)	(5)	(534,197)	(5)
General and administrative expenses		(522,167)	(6)	(707,028)	(6)
Research and development expenses		(291,669)	(3)	(320,221)	(3)
Expected credit gains (losses)	6(21)	10,734	0	(43,842)	(0)
Subtotal		(1,293,200)	(14)	(1,605,288)	(14)
Operating income		628,410	7	932,455	8
Non-operating income and expenses	6(24)				
Other income	7	177,324	2	197,858	2
Other gains and losses		(100,740)	(1)	5,470	0
Finance costs		(84,611)	(1)	(141,198)	(1)
Expected credit gains	6(21)	-	-	7	0
Share of profit or loss of associates accounted for using equity method	6(8)	(19,811)	(0)	(41,876)	(0)
Subtotal		(27,838)	0	20,261	1
Income from continuing operations befor income tax		600,572	7	952,716	9
Income tax expenses		(97,560)	(1)	(110,185)	(1)
Net income		503,012	6	842,531	8
Other comprehensive income (loss)	6(25)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans		(5,943)	(0)	12,618	0
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income		(35,665)	(0)	(333,614)	(3)
Income tax related to items that will not be reclassified subsequently	6(26)	1,892	0	12,651	0
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(208,073)	(2)	(33,095)	(0)
Income tax related to items that may be reclassified subsequently	6(26)	38,581	0	14,909	0
Total other comprehensive income (loss), net of tax		(209,208)	(2)	(326,531)	(3)
Total comprehensive income		$293,804	4	$516,000	5
Net income attributable to:					
Stockholders of the parent		$530,209	6	$891,741	8
Non-controlling interests		(27,197)	(0)	(49,210)	0
		$503,012	6	$842,531	8
Comprehensive income attributable to:					
Stockholders of the parent		$333,031	4	$739,442	7
Non-controlling interests		(39,227)	(0)	(223,442)	(2)
		$293,804	4	$516,000	5
Earnings per share (NTD)	6(27)				
Earnings per share-basic		$1.50		$2.41	
Earnings per share-diluted		$1.50		$2.40	

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December, 2019 and 2018

(Expressed in Thousand of New Taiwan Dollars)

	Equity Attributable to Parent Company											
	Capital		Retained Earnings			Other Components of Equity						
Items	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit yet to be compensated)	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive (Loss)	Changes in Fair Value of Available-for-Sale Financial Assets	Others	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January, 2018	$3,697,944	$2,202,190	$384,001	$264,359	($275,897)	($453,921)	$-	$184,923	($3,707)	$5,999,892	$1,231,777	$7,231,669
Impact of retroactive applications	-	-	-	-	181,470	-	7,149	(184,923)	-	3,696	0	3,696
Adjusted balance as of January 1, 2018	3,697,944	2,202,190	384,001	264,359	(94,427)	(453,921)	7,149	-	(3,707)	6,003,588	1,231,777	$7,235,365
Legal reserve used to cover accumulated deficits			(275,897)		275,897					-		-
Reversal of special reverse				(9,494)	9,494					-		-
Net income in 2018					891,741					891,741	(49,210)	842,531
Other comprehensive income (loss), net of tax in 2018					9,661	(21,202)	(140,758)			(152,299)	(174,232)	(326,531)
Total comprehensive income (loss)	-	-	-	-	901,402	(21,202)	(140,758)	-	-	739,442	(223,442)	516,000
Adjustments arising from changes in percentage of ownership in subsidiaries					(182,422)					(182,422)	188,566	6,144
Decrease in non-controlling interests											(1,030,178)	(1,030,178)
Disposal of equity instrument investments measured at fair value through other comprehensive income					(118,379)		84,534			(33,845)	-	(33,845)
Others		(5,516)			(8,282)				2,873	(10,925)	(27)	(10,952)
Balance as of 31 December, 2018	3,697,944	2,196,674	108,104	254,865	783,283	(475,123)	(49,075)	-	(834)	6,515,838	166,696	6,682,534
Appropriation and distribution of 2018 retained earnings												
Legal reserve			78,328		(78,328)					-		-
Special reserve				270,167	(270,167)					-		-
Cash dividend					(184,897)					(184,897)		(184,897)
Share of changes in net assets of associates accounted for using the euity method		489			(33,270)				153	(32,628)	15	(32,613)
Net income in 2019					530,209					530,209	(27,197)	503,012
Other comprehensive income (loss), net of tax in 2019					(4,761)	(165,501)	(26,916)			(197,178)	(12,030)	(209,208)
Total comprehensive income (loss)	-	-	-	-	525,448	(165,501)	(26,916)	-	-	333,031	(39,227)	293,804
Capital reduction	(369,795)									(369,795)		(369,795)
Difference between consideration and carrying amount of subsidiaries acquired or disposed											(797)	(797)
Adjustments arising from changes in percentage of ownership in subsidiaries		5,783			(17,404)				59	(11,562)	(1,511)	(13,073)
Disposal of equity instrument investments measured at fair value through other comprehensive income					(1,292)					(1,292)		(1,292)
Balance as of 31 December, 2019	$3,328,149	$2,202,946	$186,432	$525,032	$723,373	($640,624)	($75,991)	$-	($622)	$6,248,695	$125,176	$6,373,871

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
PANJIT INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December, 2019 and 2018
(Expressed in Thousand of New Taiwan Dollars)

Items	2019	2018
Cash flows from operating activities:		
Net income before tax	$600,572	$952,716
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:		
Depreciation	808,515	896,976
Amortization	44,634	46,118
Expected credit (gains)losses	(10,734)	43,835
Net (gain) loss of financial assets at fair value through profit or loss	(13,097)	(2,242)
Interest expense	84,611	141,198
Interest revenue	(50,090)	(15,749)
Dividend revenue	(16,286)	(12,848)
Share of profit of associates accounted for using equity method	19,811	41,876
(Gain) on disposal of property, plant and equipment	(52,730)	(42,121)
(Gain) on disposal of investments	(27)	(19,965)
Impairment loss on non-financial assets	7,479	128,767
Others	54,703	117,042
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(1,279,758)	(25,722)
Notes receivable	(213,527)	687,742
Trade receivable	376,183	(108,478)
Trade receivable-related parties	(6,917)	(15,394)
Other receivables	(105,965)	28,261
Other receivables-related parties	(5,836)	51,648
Inventories	241,302	(69,538)
Prepayments	77,883	17,732
Other current assets	(18,620)	20,033
Changes in operating liabilities:		
Contract liabilities	27,026	94,241
Notes payable	422,554	(472,893)
Trade payable	(140,594)	(320,203)
Trade payable-related parties	(7,208)	56,051
Other payables	(124,428)	(128,968)
Other non-current liabilities	29,846	(96,705)
Net defined benefit liabilities, non-current	(5,182)	(60,378)
Cash generated from operations	744,120	1,933,032
Interest received	50,090	15,749
Income tax paid	(52,241)	(113,313)
Net cash provided by operating activities	741,969	1,835,468
Cash flows from investing activities:		
Acquisition of financial assets at fair value through comprehamsive income or loss	(25,000)	(463)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	2,019	-
Acquisition of financial assets measured at amortized cost	(162,282)	(178,880)
Proceeds from disposal of subsidiaries	-	39,862
Acquisition of property, plant and equipment	(369,377)	(740,292)
Proceeds from disposal of property, plant and equipment	104,884	483,478
Increase in refundable deposits	-	(154,901)
Decrease in refundable deposits	2,499	-
Acquisition of intangible assets	(53,397)	(50,474)
Proceeds from disposal of intangible assets	3,842	-
Cash inflow from merger	-	17,378
Increase in other current assets	(25,722)	(14,212)
Increase in prepayment for equipments	(86,350)	(320,479)
Dividends received	16,286	12,848
Net cash (used in) investing activities	(592,598)	(906,135)
Cash flows from financing activities:		
Increase in short-term loans	-	1,120,692
Decrease in short-term loans	(73,334)	-
Increase in commercial paper payable	-	10,000
Proceeds from long-term loans	250,108	-
Repayments of long-term loans	-	(1,556,535)
Decrease in financial lease commitments	-	(13,053)
Cash payments for the principle portion of the lease liability	(37,696)	-
Inecrease in other non-current liabilities-others	28,231	165,372
Cash dividends	(184,897)	(12,433)
Capital reduction	(369,795)	-
Acquisition of subsidiaries	(797)	-
Interest paid	(78,519)	(160,006)
Net cash (used in) provided by financing activities	(466,699)	(445,963)
Effect of exchange rate changes on cash and cash equivalents	(110,773)	116,982
Net increase in cash and cash equivalents	(428,101)	600,352
Cash and cash equivalents at beginning of period	1,559,623	959,271
Cash and cash equivalents at end of period	$1,131,522	$1,559,623

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
PANJIT INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

PANJIT INTERNATIONAL INC. (the Company) was incorporated on 20 May 1986, under the Company Act of the Republic of China on Taiwan. The Company's registered address is No. 24, Gangshan N. Rd., Gangshan Dist., Kaohsiung City. The principal activities of the Company are to manufacture, process, assemble and to import and export semiconductors. The Company also assembles, trades and transfers technological advancements of machinery parts. The Company also trades resins and paints for semiconductors.

The Company's shares commenced trading on Taipei Exchange Market (GreTai Securities Market) on 22 December 1999 and on Taiwan Stock Exchange Corporation on 17 September 2001.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2019 and 2018 were authorized for issue by the board of directors on 23 March 2020.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(1) IFRS 16"Leases"

IFRS 16 "Leases" replaces 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 followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Group assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Group's right-of-use asset and lease liability increased by $25,563 thousand and $25,563 thousand, respectively.

Besides, on 1 January 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of $341,919 thousand to the right-of-use asset.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Group reclassified the lease asset of $1,358,475 thousand and the lease payable of $191,727 thousand as measured by IAS 17 to the right-of-use asset of $1,358,475 thousand and the lease liability of $191,727 thousand, respectively, on 1 January 2019.

(c) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(d) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 1.79% ~ 5.38%.

ii. The explanation for the difference of $191,727 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$7,801
Discounted using the incremental borrowing rate on 1 January 2019	$25,563
Add: the carrying value of lease payables as at 31 December 2018	191,727
The carrying value of lease liabilities recognized as at 1 January 2019	$217,290

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	1 January 2020
b	Definition of Material - Amendments to IAS 1 and 8	1 January 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

(a) Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(b) Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(1) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The Group evaluated that the newly issued or amended standards and interpretations had no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	1 January 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

(a) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;

(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group evaluated that the newly issued or amended standards and interpretations had no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed 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.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
(b) derecognizes the carrying amount of any non-controlling interest
(c) recognizes the fair value of the consideration received
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	2019.12.31	2018.12.31
The Company	PAN-JIT ASIA INTERNATIONAL INC.	Investment holding	100.00%	100.00%
The Company	PYNMAX TECHNOLOGY CO., LTD.	Manufacture of electronic components and international trade business	94.52%	94.43%
The Company	MILDEX OPTICAL INC.	Manufacture of optical lens, instrument and touch panel	—	— (Note 1)
The Company	LIFETECH Energy Inc.	Manufacture and sale lithium iron phosphate battery pack	81.97% (Note 2)	81.97% (Note 2)
PAN-JIT ASIA INTERNATIONAL INC.	PAN-JIT INTERNATIONAL (H.K.) LTD.	Sale of electronic products	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT EUROPE GMBH	Sale of electronic products	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT AMERICAS, INC.	Sale of electronic products	95.86%	95.86%
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT ELECTRONIC (WUXI) CO., LTD.	Manufacture, and process of rectifier	100.00% (Note 3)	100.00% (Note 3)
PAN-JIT ASIA INTERNATIONAL INC.	SUMMERGY CO., LTD	Battery management system research, development, production and sales of technical services	70.00%	70.00% (Note 6)
PAN-JIT ASIA INTERNATIONAL INC.	CONTINENTAL LIMITED	Investment holding	100.00%	100.00%
PAN-JIT ASIA INTERNATIONAL INC.	DYNAMIC TECH GROUP LIMITED	Investment holding	100.00% (Note 3)	100.00% (Note 3)

Investor	Subsidiary	Main businesses	Percentage of ownership (%) 2019.12.31	2018.12.31
PAN-JIT ASIA INTERNATIONAL INC.	PAN JIT KOREA CO., LTD.	Sale of electronic products	60.00%	60.00%
PAN-JIT ASIA INTERNATIONAL INC.	AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	Investment holding and sale of photovoltaic products	91.71% (Note 4)	91.71% (Note 4)
PYNMAX TECHNOLOGY CO., LTD.	JOYSTAR INTERNATIONAL CO., LTD.	Investment holding	100.00%	100.00%
DYNAMIC TECH GROUP LIMITED	MAX-DIODE ELECTRONIC., LTD.(SHENZHEN)	Production, processing and manufacturing chip diode rectifier, rectifier bridge and push the other to provide technical and after-sales service	100.00%	100.00%
DYNAMIC TECH GROUP LIMITED	MAX-DIODE ELECTRONIC CO., LTD.	Production, processing and manufacturing chip diode rectifier, rectifier bridge and push the other to provide technical and after-sales service	100.00% (Note 10)	—
CONTINENTAL LIMITED	SUZHOU GRANDE ELECTRONICS CO., LTD.	Chip diodes, transistors and other new electronic semiconductor components and related products, sales of products and provide technical and after-sales service	100.00%	100.00%
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN JIT ELECTRONIC (BEIJING) CO., LTD	Manufacture, process and sales of electronic products	100.00%	100.00%
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN JIT LIGHTING TECHNOLOGY (SHENZHEN)) CO., LTD	Light Emitting Diode manufacturing, sales, self-agency of goods and technology import and export business	— (Note 11)	100.00%
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN-JIT ELECTRONICS (SHANDONG) CO., LTD.	Manufacture semiconductor wafer for automobile, protection of discrete devices, integrated circuit chip packaged product	62.56%	62.56% (Note 5)

Investor	Subsidiary	Main businesses	Percentage of ownership (%) 2019.12.31	2018.12.31
PAN JIT ELECTRONIC (WUXI) CO., LTD	PAN JIT ELECTRONIC (QUFU) CO., LTD.	Manufacture, process and sales of electronic products	100.00%	100.00% (Note 9)
SUZHOU GRANDE ELECTRONICS CO., LTD.	SUMMERGY CO., LTD	Battery management system research, development, production and sales of technical services	—	— (Note 6)
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE SOLAR ENERGY (HK) HOLDING LIMITED	Investment holding and sales	100.00%	100.00%
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE Energy Europe Coöperatie U.A.	Investment holding	100.00% (Note 7)	100.00% (Note 7)
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	AIDE SOLAR USA, INC	Solar photovoltaic product development, manufacturing, sales, self-agency of goods and technology import and export business	100.00% (Note 7)	100.00% (Note 7)
AIDE ENERGY (CAYMAN) HOLDING CO., LTD.	JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD.	Solar photovoltaic product development, manufacturing, sales, self-agency of goods and technology import and export business	100.00%	100.00%
AIDE Energy Europe Coöperatie U.A.	AIDE ENERGY EUROPE B.V.	Investment holding and sales	100.00%	100.00%
AIDE ENERGY EUROPE B.V.	EC SOLAR C1 SRL	Solar power generation and sales of electricity	100.00%	100.00%
AIDE ENERGY EUROPE B.V.	ENERGIA FOTOVOLTAICA 12 SOCIETA' AGRICOLA AR.l	Solar power generation and sales of electricity	—	— (Note 8)
AIDE ENERGY EUROPE B.V.	ENERGIA FOTOVOLTAICA 22 SOCIETA' AGRICOLA AR.l	Solar power generation and sales of electricity	—	— (Note 8)

Investor	Subsidiary	Main businesses	Percentage of ownership (%) 2019.12.31	2018.12.31
MILDEX OPTICAL INC.	MILDEX ASIA CO., LTD.	Investment holding	—	— (Note 1)
MILDEX OPTICAL INC	NEW POPULAR TECHNOLOGY CO., LTD.	Investment holding	—	— (Note 1)
MILDEX OPTICAL INC	TYCOON POWER INTERNATIONAL LTD.	Investment holding	—	— (Note 1)
MILDEX ASIA CO., LTD.	MILDEX TECHNOLOGY HOLDING (CAYMAN) CO., LTD.	Investment holding	—	— (Note 1)
MILDEX ASIA CO., LTD.	MILDEX OPTICAL USA, INC.	Sales of Lens	—	— (Note 1)
MILDEX ASIA CO., LTD.	Mildex OPTOELECTRONICS (XUZHOU) Co., Ltd	Manufacture and sales of new electronic components and mobile phone lens.	—	— (Note 1)
MILDEX ASIA CO., LTD.	FULL SUNNY INTERNATIONAL CO., LTD.	Investment holding	—	— (Note 1)
MILDEX TECHNOLOGY HOLDING (CAYMAN) CO., LTD.	JUMPLUS CO., LTD.	Investment holding	—	— (Note 1)
MILDEX TECHNOLOGY HOLDING (CAYMAN) CO., LTD.	SINANO TECHNOLOGY CORP.	Investment holding	—	— (Note 1)
JUMPLUS CO., LTD.	MILDEX TECHNOLOGY (WUXI) CO., LTD	Research and manufacture of new electronic components.	—	— (Note 1)

(Note 1) The Company owned 43.76% shares of the company with the other subsidiary. Although the percentage of ownership interests in MILDEX OPTICAL INC. is less than 50%, the Company determined that it has control over MILDEX OPTICAL INC. This is due to a number of factors, such as the fact that the Company has been the single largest shareholder of MILDEX OPTICAL INC. since the inception of the investment, and that the remaining share ownership of other shareholders is widely dispersed; the Company could obtain proxies to achieve relative majority in the absence of a contractual arrangement in place and the ability of the Company to appoint or approve the key management personnel of MILDEX OPTICAL INC. who have the ability to direct the related activities. However, the Company sold 15.00% (15,710 thousand shares) shares of MILDEX OPTICAL INC. in October 2018, hence the Company's ownership reduced to 28.76% (30,124 thousand shares). The Company was not the only one that could get the relative majority of voting proxy, and also was unable to appoint the main managers who had the abilities to instruct related activities of MILDEX OPTICAL INC. and its subsidiary.

(Note 2)PAN-JIT ASIA INTERNATIONAL INC. owned 81.97% of the shares with other subsidiaries, which are consolidated into the Company's financial statements.

(Note 3)PAN-JIT ASIA INTERNATIONAL INC. owned 100.00% of the shares with other subsidiaries, which are consolidated into the Company's financial statements.

(Note 4)PAN-JIT ASIA INTERNATIONAL INC. owned 91.71% of the shares with other subsidiaries, which are consolidated into the Company's financial statements. AIDE ENERGY (CAYMAN) HOLDING CO, LTD. decreased its capital in June 2018, which caused its ownership to decrease to 80.85%, and increased its capital by issuing shares. The Group subscribed the new shares. Consequently, the ownership interest increased to 91.71%.

(Note 5) The Company increased capital of PAN-JIT ELECTRONICS (SHANDONG) CO., LTD. on 25 January 2018 and 26 February 2018, which increased its shareholding percentage to 62.56%, and the company was consolidated into the Company's financial statements.

(Note 6)The Group restructured its organization in July 2018, and as a result, PAN-JIT ASIA INTERNATIONAL INC. owned 70% shares of the company.

(Note 7) AIDE ENERGY (CAYMAN) HOLDING CO., LTD. owned 100% shares of the company with other subsidiaries, which was consolidated into the Company's financial statements.

(Note 8) The Company sold ENERGIA FOTOVOLTAICA 12 SOCIETA' AGRICOLA AR.l and ENERGIA FOTOVOLTAICA 22 SOCIETA' AGRICOLA AR.l in April 2018.

(Note 9) The Company invested in PAN JIT ELECTRONIC (WUXI) CO., LTD in October 2018 with full ownership, which were consolidated into the Company's financial statements.

(Note 10) The Company invested in DYNAMIC TECH GROUP LIMITED in April 2019 with full ownership, which were consolidated into the Company's financial statements.

(Note 11) PAN JIT LIGHTING TECHNOLOGY (SHENZHEN)) CO., LTD was liquidated in July 2019.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period 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 the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including fixed-term deposits that have maturity within three months from the date of acquisition) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1)<u>Financial instruments: Recognition and Measurement.</u>

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group’s business model for managing the financial assets and

B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials –Purchase cost on weighted average cost basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(13) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro-rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures.* If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(14) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	1～52 years
Machinery and equipment	1～15 years
Utilities equipment	1～13 years
Transportation equipment	1～10 years
Office equipment	1～10 years
Right-of-use assets/Leased assets (Note)	1～50 years
Leasehold improvements	1～20 years
Other equipment	1～25 years

(Note) The Group reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from 1 January 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. These changes are treated as accounting estimates.

(15) Leases

<u>The accounting policy from 1 January 2019 as follows:</u>

For contracts entered on or after 1 January 2019, the Group assesses whether the 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 for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before 1 January 2019 as follow:

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Other intangible assets
Useful lives	Finite (1～10 years)	Finite (1～10 years)
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro-rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(19) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(20) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is diode and rectifier and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to transfers the goods subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, no significant financing component has arisen.

In contracts between the Group and its customers, the period during which the promised goods are delivered to the customer and the customer paid was not more than one year. Therefore, the Group didn't adjust the transaction price for the time value of money.

(21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(24) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it fully vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substitutes for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted shares issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(25) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(26) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases.

(d) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(f) Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(g) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices may decline. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Notes 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	31 Dec. 2019	31 Dec. 2018
Cash on hand	$1,387	$2,021
Checking, demand deposits and time deposits	1,130,135	1,557,602
Total	$1,131,522	$1,559,623

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

	31 Dec. 2019	31 Dec. 2018
Mandatorily measured at fair value through profit or loss:		
Financial asset – structured deposits	$734,433	$31,304
Fund	674,585	92,944
Stocks	1,956	—
Derivatives not designated as hedging instruments		
Forward exchange agreement and cross currency swap contracts	15	426
Total	$1,410,989	$124,674

Current	$1,410,989	$31,730
Non-current	—	92,944
Total	$1,410,989	$124,674

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	31 Dec. 2019	31 Dec. 2018
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Listed companies stocks	$519,819	$522,941
Unlisted companies stocks	265,697	370,481
Total	$785,516	$893,422

Financial assets at fair value through other comprehensive income were not pledged.

(4) Financial assets measured at amortized cost

	31 Dec. 2019	31 Dec. 2018
Financial products	$334,482	$178,880

Current	$—	$178,880
Non-current	334,482	—
Total	$334,482	$178,880

Financial assets measured at amortized cost were not pledged.

(5) Notes receivables, net

	31 Dec. 2019	31 Dec. 2018
Notes receivables arising from operating activities	$484,044	$270,517
Less: loss allowance	—	—
Net amount	$484,044	$270,517

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.21 for more details on loss allowance and Note 12 for details on credit risk.

(6) Trade receivables and Trade receivables-related parties

	31 Dec. 2019	31 Dec. 2018
Trade receivables	$4,447,661	$4,833,649
Less: loss allowance	(1,543,365)	(1,602,732)
Subtotal	2,904,296	3,230,917
Trade receivables-related parties	42,042	35,125
Net amount	$2,946,338	$3,266,042

Trade receivables were not pledged.

Trade receivables are generally on 30 to 120 day terms. The total carrying amount as of 31 December 2019 and 31 December 2018 are $4,489,703 thousand and $4,868,774 thousand respectively. Please refer to Note 6.21 for more details on loss allowance of trade receivables for the year ended 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(7) Inventories

	31 Dec. 2019	31 Dec. 2018
Raw materials	$525,602	$837,634
Work in progress	192,112	250,948
Finished goods	920,513	924,571
Total	$1,638,227	$2,013,153

The cost of inventories recognized in expenses amounted to $7,221,040 thousand and $8,827,862 thousand for the ended 31 December 2019 and 2018, respectively, including the write-down of inventories of $57,905 thousand and $143,201 thousand.

Inventories were not pledged.

(8) Investments accounted for using the equity method

Investees	31 Dec. 2019 Carrying amount	31 Dec. 2019 Percentage of ownership (%)	31 Dec. 2018 Carrying amount	31 Dec. 2018 Percentage of ownership (%)
Investments in associates:				
TRIOTEK-M CO., LTD.	$—	—	$—	— (Note 3)
MILDEX TECHNOLOGY (SHENZHEN) CO., LTD.	—	—	—	— (Note 3)
PAN-JIT ELECTRONICS (SHANDONG) CO., LTD.	—	—	—	— (Note 1)
ZIBO MICRO COMMERCIAL COMPONENT CORP.	90,306	31.38%	86,298	31.38% (Note 2)
MILDEX OPTICAL INC.	330,912	28.78%	330,140	28.76% (Note 3)
	$421,218		$416,438	

(Note1) The Company acquired control of PAN-JIT ELECTRONICS (SHANDONG) CO., LTD. for the three month period ended 31 March 2018, and included it in the consolidated financial statements.

(Note2) The Company acquired 31.38% of ZIBO MICRO COMMERCIAL COMPONENT CORP.'s shares in May 2018.

(Note3) Starting from October 2018, the Group no longer had control over MILDEX OPTICAL INC. and its subsidiary, and accounted for these investments using the equity method.

The Group's investments in TRIOTEK-M CO., LTD. and MILDEX TECHNOLOGY (SHENZHEN) CO., LTD. are not individually material. The related share of investment in the associates amounted to $0 thousand for the years ended 31 December 2018. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended 31 Dec. 2019	For the years ended 31 Dec. 2018
Income from continuing operations	$—	($16,836)
Other comprehensive income	$—	$—
Total comprehensive income	$—	($16,836)

The Group's investments in PAN-JIT ELECTRONICS (SHANDONG) CO., LTD. are not individually material. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2019	31 Dec. 2018
Income from continuing operations	$—	($2,560)
Other comprehensive income	$—	$—
Total comprehensive income	$—	($2,560)

The Group's investments in ZIBO MICRO COMMERCIAL COMPONENT CORP. are not individually material. The related share of investment in the associates amounted to $90,306 thousand and $86,298 thousand for the years ended 31 December 2019 and 2018. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2019	31 Dec. 2018
Income from continuing operations	$7,519	($18,258)
Other comprehensive income	$—	$—
Total comprehensive income	$7,519	($18,258)

The Group's investments in MILDEX OPTICAL INC. are not individually material. The related share of investment in the associates amounted to $330,912 thousand and $330,140 thousand for the years ended 31 December 2019 and 2018. The aggregate financial information of the Group's investments in associates is as follows:

	For the years ended	
	31 Dec. 2019	31 Dec. 2018
Income from continuing operations	($27,330)	($4,222)
Other comprehensive income	$73,801	($24,060)
Total comprehensive income	$46,471	($28,282)

From January 1 to December 31, 2019, share of changes in net assets of associates accounted for using the equity method ($33,270) thousand was recognized as unappropriated earnings.

The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

(9) Property, plant and equipment

	31 Dec. 2019 (Note)	31 Dec. 2018
Owner occupied property, plant and equipment	$3,165,965	

(Note) The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(1)Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings	Machinery and equipment	Transportation equipment	Utilities equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As at 1 Jan. 2019	$374,756	$1,526,583	$8,878,507	$17,283	$169,132	$129,604	$71,311	$1,683,675	$31,115	$12,881,966
Additions	–	7,569	167,868	2,568	–	11,063	13,432	59,238	66,433	328,171
Disposals	–	(442,529)	(1,265,211)	(1,972)	(707)	(14,783)	–	(461,908)	–	(2,187,110)
Transfers	–	27,024	171,010	(7)	–	2,500	–	27,009	(66,521)	161,015
Exchange differences	(352)	(25,918)	(66,930)	(585)	–	(1,767)	(2,918)	(18,188)	(87)	(116,745)
As at 31 Dec. 2019	$374,404	$1,092,729	$7,885,244	$17,287	$168,425	$126,617	$81,825	$1,289,826	$30,940	$11,067,297
Depreciation and impairment:										
As at 1 Jan. 2019	$–	$783,591	$6,627,512	$12,900	$155,867	$95,352	$30,866	$1,254,786	$–	$8,960,874
Depreciation	–	55,742	514,332	1,949	2,334	14,132	7,536	106,741	–	702,766
Disposals	–	(216,104)	(1,058,501)	(1,942)	(545)	(13,673)	–	(410,069)	–	(1,700,834)
Impairment losses	–	–	7,477	–	–	2	–	–	–	7,479
Transfers	–	(27,644)	2,407	–	–	–	43	27,554	–	2,360
Exchange differences	–	(14,993)	(40,658)	(413)	–	(1,269)	(1,121)	(12,859)	–	(71,313)
As at 31 Dec. 2019	$–	$580,592	$6,052,569	$12,494	$157,656	$94,544	$37,324	$966,153	$–	$7,901,332
Net carrying amount as at:										
31 Dec. 2019	$374,404	$512,137	$1,832,675	$4,793	$10,769	$32,073	$44,501	$323,673	$30,940	$3,165,965

(Note) The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Transportation equipment	Utilities equipment	Office equipment	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As at 1 Jan. 2018	$392,374	$2,346,592	$9,543,326	$23,556	$323,896	$149,728	$1,880,555	$67,968	$1,941,571	$321,621	$16,991,187
Additions	–	5,030	276,710	817	41,820	13,312	–	4,885	138,169	94,094	574,837
Disposals	(17,530)	(163,208)	(855,024)	(8,343)	(85,367)	(13,253)	–	–	(226,663)	–	(1,369,388)
Transfers	–	2,303	621,922	411	187,640	482	–	–	35,701	(354,676)	493,783
Individual consolidated entity effect	–	(632,033)	(655,284)	1,146	(298,857)	(19,869)	–	(674)	(184,527)	(30,092)	(1,820,190)
Exchange differences	(88)	(32,101)	(53,143)	(304)	–	(796)	(19,560)	(868)	(20,576)	168	(127,268)
As at 31 Dec. 2018	$374,756	$1,526,583	$8,878,507	$17,283	$169,132	$129,604	$1,860,995	$71,311	$1,683,675	$31,115	$14,742,961
Depreciation and impairment:											
As at 1 Jan. 2018	$–	$865,197	$7,586,612	$18,658	$206,141	$104,631	$432,579	$23,747	$1,404,327	$–	$10,641,892
Depreciation	–	82,787	585,616	1,916	25,193	15,277	75,366	7,372	103,449	–	896,976
Disposals	–	(34,558)	(725,711)	(7,942)	(53,007)	(12,984)	–	–	(93,829)	–	(928,031)
Impairment losses	–	–	(2,605)	234	–	–	–	540	(1,786)	–	(3,617)
Transfers	–	–	(32,870)	–	–	379	–	–	1,804	–	(30,687)
Individual consolidated entity effect	–	(113,759)	(746,402)	268	(22,460)	(11,425)	–	(584)	(142,251)	–	(1,036,613)
Exchange differences	–	(16,076)	(37,128)	(234)	–	(526)	(5,425)	(209)	(16,928)	–	(76,526)
As at 31 Dec. 2018	$–	$783,591	$6,627,512	$12,900	$155,867	$95,352	$502,520	$30,866	$1,254,786	$–	$9,463,394
Net carrying amount as at:											
31 Dec. 2018	$374,756	$742,992	$2,250,995	$4,383	$13,265	$34,252	$1,358,475	$40,445	$428,889	$31,115	$5,279,567

In the years ended 31 December 2019, the $7,479 thousand impairment loss represented the write down of certain property, plant and equipment in the electronic segment to the recoverable amount. This has been recognized in the statement of comprehensive income. The recoverable amount was based on value in use and was determined at the level of the cash generating unit. The projected cash flows that were used to calculate value in use reflect the demand for products and services. The cash-generating unit consisted of the Company's assets. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 12% on a pre-tax basis.

The amounts of capitalization of borrowing costs were $0 in both 2019 and 2018.

Leased assets under finance leases are pledged solely as security for the bank loans.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

A fire took place at the premises of the subsidiary, PYNMAX TECHNOLOGY CO., LTD. in July 2019. Property, plant and equipment that were damaged beyond repair have been appropriately derecognized.

(10) Intangible assets

	Computer software	Other intangible assets	Goodwill	Total
Cost:				
As at 1 Jan. 2019	$139,606	$276,581	$634,146	$1,050,333
Addition-acquired separately	43,889	9,508	—	53,397
Disposals	(25,592)	(117,035)	—	(142,627)
Transfers	656	—	—	656
Exchange differences	(881)	(6,961)	(14,953)	(22,795)
As at 31 Dec. 2019	$157,678	$162,093	$619,193	$938,964
As at 1 Jan. 2018	$156,149	$297,228	$592,356	$1,045,733
Addition-acquired separately	42,411	8,063	35,255	85,729
Disposals	(32,509)	(270)	—	(32,779)
Transfers	22,964	(114)	—	22,850
Individual consolidated entity effect	(49,164)	(7,886)	(12,357)	(69,407)
Exchange differences	(245)	(20,440)	18,892	(1,793)
As at 31 Dec. 2018	$139,606	$276,581	$634,146	$1,050,333
Amortization and Impairment:				
As at 1 Jan. 2019	($55,531)	($175,587)	($487,172)	($718,290)
Amortization	(34,802)	(9,832)	—	(44,634)
Disposals	21,750	117,035	—	138,785
Exchange differences	686	2,484	10,972	14,142
As at 31 Dec. 2019	($67,897)	($65,900)	($476,200)	($609,997)
As at 1 Jan. 2018	($96,364)	($169,479)	($472,915)	($738,758)
Amortization	(27,739)	(18,379)	—	(46,118)
Impairment	—	(264)	—	(264)
Disposals	32,509	270	—	32,779
Transfers	418	—	—	418
Individual consolidated entity effect	35,422	4,976	—	40,398
Exchange differences	223	7,289	(14,257)	(6,745)
As at 31 Dec. 2018	($55,531)	($175,587)	($487,172)	($718,290)
Net carrying amount as at:				
31 Dec. 2019	$89,781	$96,193	$142,993	$328,967
31 Dec. 2018	$84,075	$100,994	$146,974	$332,043

Amortization expense of intangible assets under the statement of comprehensive income:

	2019	2018
Operating costs	$12,535	$7,870
Research and development costs	$4,767	$4,076

(11) Impairment testing of goodwill

Goodwill acquired through business combinations for impairment testing as follows:

The carrying amount of goodwill allocated to each of the cash-generating units:

As at	31 Dec. 2019	31 Dec. 2018
Diodes cash-generating unit	$142,993	$146,974

The recoverable amount of the cash generate unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 12% (2019 and 2018: 12%) for diodes cash-generating unit that was the same as the long-term average growth rate for the industry. Based on the result of the analysis, management considered goodwill allocated to this cash generating unit did not show impairment.

Key assumptions used in value-in-use calculations

Gross margins – Gross margins are based on operating results and further average values achieved in the years preceding the start of the budget period.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on published industry research.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(12) Short-term loans

	31 Dec. 2019	31 Dec. 2018
Unsecured bank loans	$2,195,201	$2,268,535
Interest rates	1.00%~3.075%	0.87%～4.57%
Due date	109.01.06～109.06.17	108.01.04～108.06.28

The Group's unused short-term lines of credits amounted to $3,264,612 thousand and $1,409,062 thousand, as at 31 December 2019 and 2018, respectively.

(13) Financial liabilities at fair value through profit or loss- current

	31 Dec. 2019	31 Dec. 2018
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward exchange agreement and cross currency swap contracts	$102	$3,655

(14) Notes payable- current

	31 Dec. 2019	31 Dec. 2018
Notes receivables arising from operating activities	$515,112	$92,558

(15) Long-term deferred revenue

	2019	2018
Beginning balance	$347,832	$306,924
Addition	41,010	—
Recognized to the statement of comprehensive income	(35,612)	(29,755)
Disposals (Note)	(226,749)	—
Reclassification	494	—
Individual consolidated entity effect	—	77,842
Exchange differences	(2,913)	(7,179)
Ending Balance	$124,062	$347,832

	31 Dec. 2019	31 Dec. 2018
Non-current deferred revenue - related to assets	$124,062	$347,832

Government grants have been received for the purchase of certain items of property, plant and equipment and land use right (booked as right of use asset from 1 January, 2019; booked as long-term prepaid rent prior to 1 January 2019). There are no unfulfilled conditions or contingencies attached to these grants.

Note: In line with the derecognition of right of use asset, the Group derecognized long term deferred revenue in the amount of $226,749 thousand.

(16) Long-term borrowings

Details of long-term loans are as follows:

	31 Dec. 2019	31 Dec. 2018
Syndication loans(A)	$2,237,500	$2,000,000
Syndication loans(B)	962,018	1,008,128
Syndication loans(C)	23,000	—
Credit loan	198,000	198,000
Subtotal	3,420,518	3,206,128
(Less): Due within one year	—	—
(Less): Unamortized cost of syndicated loan	(8,829)	(15,098)
(Less): Deferred government grants	(494)	—
Total	$3,411,195	$3,191,030
Interest rates	0.90%～1.79%	1.16%～1.79%

(A) On 17 October 2018, the Company entered into a syndicated loan contract with sixteen financial institutions and the amount of the loan facility was $5,000,000 thousand for a period of five years starting from the first day the facility is drawn. The facility must be drawn within three months from the execution date of the contract, otherwise the maturity of the said three month period shall be deemed the first drawdown day. The Company is to maintain certain financial ratios as follows:

a. Terms of the syndicated loan agreement are as follows:

i. Category 1: Medium-term loan in the amount of $1,500,000 thousand.

ii. Category 2: Medium-term loan in the amount of $3,500,000 thousand or the same value of US dollar.

b. Terms of covenants

Within the contract period, every year the Company should calculate the following ratios and agree with these assigned ratios based on the audited consolidated financial report.

i. Current ratio (current asset divide by current liability): higher than 100%.

ii. Debt ratio (liability divide by equity): lower than 200%.

iii. Interest coverage ratio【（net profit before tax plus interest expense plus depreciation plus amortization）divide by interest expense】: higher than 2.5 times.

iv. Tangible net value: net value minus intangible asset, higher than $5,300,000 thousand or the same value of US dollar.

(B) On 17 October 2018, the subsidiary, PAN-JIT ASIA INTERNATIONAL INC., entered into a syndicated loan contract with seventeen financial institutions and the amount of the loan facility was US$66,000 thousand for a period of five years starting from the first day the facility is drawn. The facility must be drawn within three months from the execution date of the contract, otherwise the maturity of the said three month period shall be deemed the first drawdown day. The Company is to maintain certain financial ratios as follows:

c. Terms of the syndicated loan agreement are as follows:

i. Category 1: Medium-term loan in the amount of US$35,000 thousand, which should be used in one time.

ii. Category 2: Medium-term loan in the amount of US $31,000 thousand, which can be used as a revolving loan within the credit period.

d. Terms of covenants

Within the contract period, every half-year the Company should calculate the follows ratios and agree with these assigned ratios based on the audited consolidated financial report.

i. Current ratio (current asset divide by current liability): higher than 100%.

ii. Debt ratio (liability divide by equity): lower than 200%.

iii. Interest coverage ratio【（net profit before tax plus interest expense plus depreciation plus amortization）divide by interest expense】: higher than 2.5 times.

iii. Net value: higher than $5,300,000 thousand or the same value of US dollar.

(C) On 9 September 2019, the Company entered into a loan agreement with Taishin International Bank in the amount of NT$600,000 thousand for the investment projects of Taiwanese businessmen returning to Taiwan. The related terms are as follows:

Credit line	Credit Period	Interest rate	Repayment method
$400,000	Seven years from the date of first drawdown	In accordance with the two-year time deposit interest rate of Chunghwa Post Co., Ltd. plus/minus 0.25%, and the actual interest rate shall not be lower than 1.4%.	Three-year grace period. After the grace period expires, the principal shall be paid back in monthly equal installments.
$200,000	Seven years from the date of first drawdown	In accordance with the two-year time deposit interest rate of Chunghwa Post Co., Ltd. plus/minus 0.25%, and the actual interest rate shall not be lower than 1.4%.	Three-year grace period. After the grace period expires, the principal shall be paid back in monthly equal installments.

Please refer to Notes 7 and 8 for more details on certain property and plant and equipment pledged as security and the key management who were guarantors of the syndicated loans and credit loans.

(17) Finance lease commitments

The Group has finance leases for various items of plant and machinery. Theses leases contain purchase options for lessees. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 Dec. 2019 (Note)		31 Dec. 2018	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not more than one year			$18,855	$13,285
More than one year and not more than five years			75,420	57,305
More than five years			134,490	121,137
Total minimum lease payments			228,765	191,727
Less: finance charges on finance lease			(37,038)	—
Present value of minimum lease payments			$191,727	$191,727
Current				$13,285
Non-current				178,442
Total				$191,727

(Note) The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(18) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2019 and 2018 were $43,805 thousand and $53,991 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $1,873 thousand to its defined benefit plan during the 12 months beginning after 31 December 2019.

The average duration of the defined benefits plan obligation as at 31 December 2019 and 2018, are 12 to 19 and 12 to 18 years, respectively.

The pension costs recognized in profit or loss for the years ended 31 December 2018 and 2017 are as follows:

	2019	2018
Current period service costs	$2,267	$2,486
Interest expense	1,097	2,149
Total	$3,364	$4,635

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Defined benefit obligation	$187,860	$196,158	$226,802
Plan assets at fair value	(79,259)	(89,874)	(58,341)
Other non-current liabilities – Defined benefit liabilities recognized on the consolidated balance sheets	$108,601	$106,284	$168,461

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
As at 1 Jan. 2018	$226,802	($58,341)	$168,461
Individual consolidated entity effect	(13,629)	11,830	(1,799)
Current period service costs	2,486	—	2,486
Net interest expense (income)	2,789	(640)	2,149
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	218,448	(47,151)	171,297
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(429)	—	(429)
Actuarial gains and losses arising from changes in financial assumptions	6,113	—	6,113
Experience adjustments	(17,156)	—	(17,156)
Remeasurements of the defined benefit asset	—	(1,323)	(1,323)
Subtotal	206,976	(48,474)	158,502
Payments from the plan	(10,818)	10,818	—
Contributions by employer	—	(52,218)	(52,218)
Effect of changes in foreign exchange rates	—	—	—
As at 31 Dec. 2018	196,158	(89,874)	106,284
Current period service costs	2,267	—	2,267
Net interest expense (income)	2,035	(938)	1,097
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	200,460	(90,812)	109,648

	As at		
	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	273	—	273
Actuarial gains and losses arising from changes in financial assumptions	6,674	—	6,674
Experience adjustments	2,116	—	2,116
Remeasurements of the defined benefit asset	—	(2,835)	(2,835)
Subtotal	209,523	(93,647)	115,876
Payments from the plan	(21,663)	21,663	—
Contributions by employer	—	(7,275)	(7,275)
Effect of changes in foreign exchange rates	—	—	—
As at 31 Dec. 2019	$187,860	($79,259)	$108,601

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	31 Dec. 2019	31 Dec. 2018
Discount rate	0.75%~0.87%	1.01%~1.18%
Expected rate of salary increases	1.50%~2.00%	1.50%~2.00%

A sensitivity analysis for significant assumption as at 31 December 2019 and 2018, is as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$—	$11,180	$—	$10,323
Discount rate decrease by 0.5%	$14,236	$—	$14,922	$—
Future salary increase by 0.5%	$14,042	$—	$14,754	$—
Future salary decrease by 0.5%	$—	$11,149	$—	$10,317

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(19) Equities

(a) Common stock and certificates of bond-to-stock conversion

As at 31 December 2019 and 2018, the Company's authorized capital was $6,000,000 thousand and $5,000,000 thousand, and issued capital was $3,328,149 thousand $3,697,944 thousand respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

The Company resolved at its shareholders' meeting to reduce cash capital in the amount of $369,795 thousand on 13 June 2019. 36,979 thousand ordinary shares were cancelled. The record date of capital reduction was 18 July 2019, and the changes of registration were completed.

(b) Additional paid-in capital

	31 Dec. 2019	31 Dec. 2018
Premium on issued shares	$1,000,884	$1,000,884
Premium on convertible bonds	1,083,418	1,083,418
Changes in owner's equity of subsidiaries	5,783	—
Employee stock option	24,527	24,527
Restricted stocks for employees	694	694
Changes of net assets in affiliates and associates accounted for using the equity method	489	—
Others	87,151	87,151
Total	$2,202,946	$2,196,674

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues
b. Offset prior years' operation losses
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
d. Set aside or reverse special reserve in accordance with law and regulations
e. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting

According to Article 240-5 of the Company Act, a company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the whole or a part of the surplus profit distributable as dividends and bonuses to be paid in cash by the company for such purpose.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

According to Article 241 of the Company Act, the company shall distribute the whole or a part of the statutory surplus reserve and capital surplus to shareholders in new shares or cash according to their shareholding percentage. When cash is distributed, a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company shall be required and reported to the shareholders meeting. When new shares are issued, it shall be submitted to the shareholders' meeting for approval before distribution.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Jin-Guan-Cheng-Fa-Zi 1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company has reversed special reserve to retained earnings during the years ended 2019 and 2018 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	2019	2018
Beginning balance	$200,400	$209,894
Dispose subsidiary	—	(9,494)
Ending balance	$200,400	$200,400

Details of the 2019 and 2018 earnings distribution and dividends per share as proposed and resolved by the board of directors' meeting and shareholders' meeting on 23 March 2020 and 13 June 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$53,021	$78,328	$—	$—
Special reserve	$192,205	$270,167	$—	$—
Common stock -cash dividend	$349,456	$184,897	$1.05	$0.5
Common stock-stock dividend	$—	$—	$—	$—

The Company resolved at the board meeting held on 12 June 2018 to make up for losses using the legal reserve in the amount of $275,897 thousand.

Please refer to Note 6.23 for further details on employees' compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

	2019	2018
Beginning balance	$166,696	$1,231,777
Profit (loss) attributable to non-controlling interests	(27,197)	(49,210)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(3,991)	3,016
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income	(8,102)	(177,452)
Remeasurements of defined benefits plan	63	204
Share of changes of associates accounted for using the equity method	15	—
Adjustments arising from changes in percentage of ownership in subsidiaries	(1,511)	188,566
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(797)	—
Change in non-controlling interests	—	(1,030,178)
Others	—	(27)
Ending balance	$125,176	$166,696

(20) Sales

Revenue from contracts with customers	2019	2018
Sale of goods	$9,136,264	$11,356,772
Other operating revenue	6,386	8,833
Total	$9,142,650	$11,365,605

Analysis of revenue from contracts with customers during the years ended 31 December 2019 and 2018 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2019:

	Diodes	Solar	Other	Total
Sale of goods	$8,932,686	$205,679	$4,285	$9,142,650

For the ended 31 December 2018:

	Diodes	Panel	Solar	Other	Total
Sale of goods	$10,319,232	$788,654	$241,070	$16,649	$11,365,605

(2) Contract balances

Contract liabilities - current

	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Sales of goods	$112,614	$85,588	$98,925

The changes in the balance of contract liabilities of the Group in 2019 and 2018 were due to the fact that some of the performance obligations have been satisfied to be reclassified to increase in revenue or increase in advance receipts.

(21) Expected credit gains (losses):

	2019	2018
Operation expense－Expected credit gains (losses)		
Trade receivable	$10,734	($43,842)
Non-operating income and expenses－Expected credit gains		
Other trade receivable	－	7
Total	$10,734	($43,835)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2019 and 2018 are as follows:

The Group needed to consider the grouping by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measure by using a provision matrix, details as follows:

2019.12.31

Group 1

	1-90 Days (Note)	91-180 days	181-270 days	271-360 days	Over 361days	Total
Gross carrying amount	$3,084,425	$361,036	$10,715	$3,870	$—	$3,460,046
Loss ratio	—	7.53%	20.31%	7.44%	—	
Lifetime expected credit losses	—	(27,200)	(2,176)	(288)	—	(29,664)
Subtotal	$3,084,425	$333,836	$8,539	$3,582	$—	$3,430,382

Group 2

	1-90 Days (Note)	91-180 days	181-270 days	271-360 days	Over 361days	Total
Gross carrying amount	$—	$—	$—	$—	$1,513,701	$1,513,701
Loss ratio	—	—	—	—	100%	
Lifetime expected credit losses	—	—	—	—	(1,513,701)	(1,513,701)
Subtotal	—	—	—	—	—	—
Carrying amount of trade receivables	$3,084,425	$333,836	$8,539	$3,582	$—	$3,430,382

2018.12.31

Group 1

	1-90 Days (Note)	91-180 days	181-270 days	271-360 days	Over 361days	Total
Gross carrying amount	$3,149,037	$375,209	$50,705	$549	$154	$3,575,654
Loss ratio	—	8.09%	16.72%	50.00%	—	
Lifetime expected credit losses	—	(30,342)	(8,479)	(274)	—	(39,095)
Subtotal	$3,149,037	$344,867	$42,226	$275	$154	$3,536,559

Group 2

	1-90 Days (Note)	91-180 days	181-270 days	271-360 days	Over 361days	Total
Gross carrying amount	$—	$—	$—	$—	$1,563,637	$1,563,637
Loss ratio	—	—	—	—	100.00%	
Lifetime expected credit losses	—	—	—	—	(1,563,637)	(1,563,637)
Subtotal	—	—	—	—	—	—
Carrying amount of trade receivables	$3,149,037	$344,867	$42,226	$275	$154	$3,536,559

The movement in the provision of impairment of receivables as at 2019 and 2018 are as follows:

	Trade receivables
As at 1 Jan. 2019	$1,602,732
Charge (revisal) of current period	(10,734)
Write off	(9,805)
Effect of changes in exchange rate	(38,828)
As at 31 Dec. 2019	$1,543,365
As at 1 Jan. 2018 (in accordance with IAS 39)	$1,529,804
As at 1 Jan. 2018 adjusted retained earnings	—
As at 1 Jan. 2018 (in accordance with IFRS 9)	1,529,804
Charge (revisal) of current period	43,842
Write off	(5,827)
Effect of individual consolidated entity	(7,601)
Effect of changes in exchange rate	42,514
As at 31 Dec. 2018	$1,602,732

(22) Leases

(1) Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 1 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2019	31 Dec. 2018 (Note)
Land	$74,185	
Buildings	48,382	
Transportation equipment	1,308	
Other equipment	1,225,306	
Total	$1,349,181	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

b. Lease liabilities

	31 Dec. 2019	31 Dec. 2018 (Note)
Current	$31,251	
Non-current	190,326	
Total	$221,577	

Please refer to Note 6.24(3) for the interest on lease liabilities recognized during the year ended 31 March 2019 and refer to Note 12.5 Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2019	2018 (Note)
Land	$13,885	
Buildings	17,382	
Transportation equipment	1,259	
Other equipment	73,223	
Total	$105,749	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	2019	2018 (Note)
The expenses relating to short-term leases	$8,125	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	$307	
Income from subleasing right-of-use assets	$12,791	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

During the year ended 31 December 2019, the Group's total cash outflows for leases amounting to $37,696 thousand.

E. Other information relating to leasing activities

Extension and termination options

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group has signed non-cancellable operating leases. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable as at 31 December 2019 and 2018 are as follows:

	31 Dec. 2019 (Note)	31 Dec. 2018
Not later than one year		$4,927
Later than one year and not later than five years		2,874
Later than five years		—
Total		$7,801

Operating lease expenses recognized are as follows:

	2019 (Note)	2018
Minimum lease payments		$14,761

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(23) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,032,248	$527,048	$1,559,296	$1,294,935	$626,473	$1,921,408
Labor and health insurance	$106,652	$52,708	$159,360	$120,506	$56,535	$177,041
Pension	$33,010	$14,159	$47,169	$38,832	$19,980	$58,812
Compensation of the supervisor	$—	$13,609	$13,609	$—	$18,823	$18,823
Other employee benefits expense	$64,000	$21,270	$85,270	$91,682	$32,786	$124,468
Depreciation	$682,926	$125,589	$808,515	$780,436	$116,540	$896,976
Amortization	$12,535	$32,099	$44,634	$7,870	$38,248	$46,118

According to the Company’s Articles of Incorporation, 6% of profit of the current year is distributable as employees’ compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered.

According to Article 235-1 of the Company Act, the Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 6% of profit of current year and 2% of profit of current year, respectively, recognized the amount of $39,835 thousand and $13,279 thousand in cash as employees' compensation and remuneration to directors. The amount of $54,844 thousand and $18,281 thousand in cash as employees' compensation and remuneration to directors and supervisors at 2018 respectively. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to current income.

A resolution was passed at a Board of Directors meeting held on 22 March 2019 to distribute $54,844 thousand and $18,281 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2018.

(24) Non-operating income and expenses

(a) Other income

	2019	2018
Interest income - finance asset measured at amortized cost	$50,090	$15,749
Rental income	12,807	27,310
Dividend income	16,286	12,848
Others income – other	98,141	141,951
Total	$177,324	$197,858

(b) Other gains and losses

	2019	2018
Gains on disposal of property, plant and equipment	$52,730	$42,121
Gains on disposal of investments	27	19,965
Foreign exchange (losses)gains, net	(25,578)	86,644
Impairment losses	(7,479)	(128,767)
Losses on financial assets / financial liabilities at fair value through profit (losses) (Note)	13,097	2,242
Others	(133,537)	(16,735)
Total	($100,740)	$5,470

(Note) Balances were arising from held for trading financial liabilities and financial assets mandatorily measured at fair value through profit or loss.

(c) Finance costs

	2019	2018
Interest on borrowings from bank	($76,963)	($133,701)
Interest on lease liabilities	(7,648)	(Note)
Interest for finance lease	(Note)	(7,497)
Total	($84,611)	($141,198)

(Note) The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(25) Components of other comprehensive income

For the year ended 31 December 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	($5,943)	$—	($5,943)	$1,245	($4,698)
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income	(35,665)	—	(35,665)	647	(35,018)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(208,073)	—	(208,073)	38,581	(169,492)
Total of other comprehensive income	($249,681)	$—	($249,681)	$40,473	($209,208)

For the year ended 31 December 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$12,618	$—	$12,618	($2,753)	$9,865
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income	(333,614)	—	(333,614)	15,404	(318,210)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(29,189)	(3,906)	(33,095)	14,909	(18,186)
Total of other comprehensive income	($350,185)	($3,906)	($354,091)	$27,560	($326,531)

(26) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

a. Income tax expense (income) recognized in profit or loss

	2019	2018
Current income tax expense (income):		
Current income tax charge	$153,292	$82,554
Adjustments in respect of current income tax of prior periods	(11,896)	(22,152)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(45,008)	(26,617)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	—	75,413
Others	1,172	987
Total income tax expense	$97,560	$110,185

b. Income tax relating to components of other comprehensive income

	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	($1,245)	$2,753
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	(647)	(15,404)
Exchange differences resulting from translating the financial statements of a foreign operation	(38,581)	(14,909)
Income tax relating to components of other comprehensive income	($40,473)	($27,560)

c. Income tax charged directly to equity

	2019	2018
Deferred tax expense (income):		
Changes in ownership interests of subsidiaries for using equity method	$—	($10,651)
Net defined benefit liabilities	—	2,369
Impairment losses	—	(13,676)
Income tax relating to components of equity	$—	($21,958)

d. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2019	2018
Accounting profit income before tax from continuing operations	$600,572	$952,716
Tax at the domestic rates applicable to profits in the country concerned	$178,059	$244,931
Tax effect of revenues exempt from taxation	(3,525)	56,864
Tax effect of expenses not deductible for tax purposes	(30,903)	(217,472)
Tax effect of deferred tax assets/liabilities	(49,968)	48,017
Corporate income surtax on undistributed retained earnings	15,791	—
Adjustments in respect of current income tax of prior periods	(11,896)	(22,152)
Others	2	(3)
Total income tax expense recognized in profit or loss	$97,560	$110,185

e. Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2019:

	Beginning balance as at 1 Jan. 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Individual consolidated entity effect	Exchange differences	Ending balance as at 31 Dec. 2019
Temporary differences							
Allowance for bad debts	$1,385	($57)	$—	$—	$—	($52)	$1,276
Allowance for losses on inventory	47,968	13,256	—	—	—	(228)	60,996
Unrealized exchange (losses)	(13,698)	16,909	—	—	—	—	3,211
Share of profit (loss) of subsidiaries accounted for using the equity method	108,979	12,877	—	—	—	—	121,856
Changes in ownership interests of subsidiaries for using equity method	(71,014)	—	—	—	—	—	(71,014)
Exchange differences resulting from translating the financial statements of a foreign operation	74,640	—	38,581	—	—	—	113,221
Depreciation difference for tax purpose	(1,216)	142	—	—	—	(13)	(1,087)
Pension cost	21,257	(782)	1,245	—	—	—	21,720
Impairment losses	9,029	886	—	—	—	(113)	9,802
Financial asset measured at fair value through other comprehensive income	20,163	—	647	—	—	—	20,810
Other	33,134	12,828	—	—	—	(431)	45,531
Unused tax losses	18,800	(11,051)	—	—	—	—	7,749
Deferred tax income/(expense)		$45,008	$40,473	$—	$—	($837)	
Net deferred tax assets/(liabilities)	$249,427						$334,071
Reflected in balance sheet as follows:							
Deferred tax assets	$339,759						$408,628
Deferred tax liabilities	($90,332)						($74,557)

For the year ended 31 December 2018:

	Beginning balance as at 1 January 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as at 31 Dec. 2018
Temporary differences							
Allowance for bad debts	$3,682	($963)	$—	$—	$—	($1,334)	$1,385
Allowance for losses on inventory	43,727	9,133	—	—	(6,067)	1,175	47,968
Unrealized exchange (losses)	(6,750)	(6,948)	—	—	—	—	(13,698)
Share of profit (loss) of subsidiaries accounted for using the equity method	249,259	(52,267)	—	—	(88,013)	—	108,979
Changes in ownership interests of subsidiaries for using equity method	(60,363)	—	—	(10,651)	—	—	(71,014)
Exchange differences resulting from translating the financial statements of a foreign operation	44,672	—	14,909	—	15,061	(2)	74,640
Depreciation difference for tax purpose	(7,421)	(196)	—	—	6,407	(6)	(1,216)
Pension cost	28,332	(6,691)	(2,753)	2,369	—	—	21,257
Impairment losses	20,769	1,997	—	(13,676)	—	(61)	9,029
Unrealized gains (losses) from available-for-sale financial assets	(21,565)	—	(4,759)	—	26,324	—	—
Financial asset measured at fair value through other comprehensive income	—	—	20,163	—	—	—	20,163
Others	44,381	970	—	—	(11,964)	(253)	33,134
Unused tax losses	137,431	6,169	—	—	(124,800)	—	18,800
Deferred tax (expense)/ income		($48,796)	$27,560	($21,958)	($183,052)	($481)	
Net deferred tax assets/(liabilities)	$476,154						$249,427
Reflected in balance sheet as follows:							
Deferred tax assets	$590,862						$339,759
Deferred tax liabilities	($114,708)						($90,332)

f. The following table contains information of the unused tax losses of the Group:

(i). LIFETECH Energy Inc.

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2019	Unused tax losses as at 31 Dec. 2018	Expiration year
2011	21,985	$21,985	$21,985	2021
2012	4,457	4,457	4,457	2022
2013	11,706	11,706	11,706	2023
2014	26,214	26,214	26,214	2024
2015	24,895	24,895	24,895	2025
2016	21,921	21,921	21,921	2026
2017	22,000	22,000	22,000	2027
		$133,178	$133,178	

(ii). Aide Energy (Cayman) Holding Co., Ltd. Taiwan Branch

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2019	Unused tax losses as at 31 Dec. 2018	Expiration year
2010	13,297	$13,297	$13,297	2020
2011	30,876	30,876	30,876	2021
2012	42,967	42,967	42,967	2022
2013	15,965	15,965	15,965	2023
2014	30,253	30,253	30,253	2024
2015	25,606	25,606	25,606	2025
2016	14,680	680	680	2026
2017	4,705	4,705	4,705	2027
		$164,349	$164,349	

(iii). Jiangsu Aide Solar Energy Technology Co., Ltd.

Year	Tax losses for the period	Unused tax losses as at 31 Dec. 2019	Unused tax losses as at 31 Dec. 2018	Expiration year
2014	334,813	$—	$47,366	2019
2015	575,576	575,576	597,904	2020
2016	298,276	298,276	309,847	2021
2018	162,698	162,698	169,009	2023
2019	12,218	12,218	—	2024
		$1,048,768	$1,124,126	

g. Unrecognized deferred tax assets

As of 31 December 2019 and 2018, deferred tax assets that have not been recognized amounted to $427,735 thousand and $471,892 thousand, respectively.

h. The assessment of income tax returns

As of 31 December 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2015
Pynmax Technology Inc.	Assessed and approved up to 2017
Lifetech Energy Inc.	Assessed and approved up to 2017
Aide Energy (Cayman) Holding Co., Ltd. Taiwan Branch	Assessed and approved up to 2017

(27) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2019	2018
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$530,209	$891,741
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	352,875	369,794
Basic earnings per share (NT$)	$1.50	$2.41

	2019	2018
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company and effect of potential common shares (in thousand NT$)	$530,209	$891,741
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	352,875	369,794
Effect of dilution		
Employee compensation－stock (in thousands)	1,438	2,155
Weighted average number of common stocks after dilution(thousand shares)	354,313	371,949
Diluted earnings per share (NTD)	$1.50	$2.40

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements authorized for issue.

(28) Business combination

The merger with PANJIT ELECTRONICS (SHANDONG) CO., LTD

On 1 March 2018, the Group acquired 62.56% voting shares of PANJIT ELECTRONICS (SHANDONG) CO., LTD, (hereinafter referred to as “PANJIT ELECTRONICS (SHANDONG)”). PANJIT ELECTRONICS (SHANDONG) was established in in northern China. The principal activities of the Company are to manufacture semiconductors for cars, discrete devices protection, integrated circuits and packing product. The purpose of the merger is to expand production capacity.

The Group elected to measure the non-controlling interest of PANJIT ELECTRONICS (SHANDONG) at the relative share proportionate to the recognized amount of the identifiable net assets.

The fair value of the identifiable net assets and liabilities of PANJIT ELECTRONICS (SHANDONG) as of the acquisition date were:

	Fair value recognized on the acquisition date (adjusted)
Cash and cash equivalents	$17,378
Trade receivable	55,233
Inventory	10,970
Property, plant and equipment	274,664
Other asset	174,323
Account payable	(3,946)
Other payable	(113,038)
Deferred income	(79,328)
Fair value of identifiable net assets	$336,256

Goodwill of PANJIT ELECTRONICS (SHANDONG) is as follows:

	Fair value recognized on the acquisition date (adjusted)
Consideration	$243,681
Add: Non-controlling interests (37.44% of identifiable net assets)	125,894
Less: fair value of identifiable net assets	(336,256)
Exchange differences	2,568
Goodwill	$35,887

Shares issued, at fair value	$243,681
Analysis of cash flows on acquisition:	
Net cash flow acquired from subsidiary	$17,378

From the acquisition date (1 March 2018) to 31 December 2018, the Group's revenue from PANJIT ELECTRONICS (SHANDONG) was $18,272 thousand, and the net income of a going concern was ($32,715) thousand. If the combination had taken place on 1 January 2018, revenues and net income would have be $20,963 thousand and ($37,982) thousand, respectively.

(29) Changes in parent's interest in subsidiaries

(1) AIDE ENERGY (CAYMAN) HOLDING CO, LTD. decreased its capital in June 2018, which caused its ownership to decrease to 80.85%, and increased its capital by issuing shares. The Group subscribed the new shares. Consequently, the ownership interest increased to 91.71%. The equity interest including increase of non-control equity is as follows:

Additional cash received from the issuance of new shares	$—
Increase in non-controlling interests	183,987
Difference recognized in retained earning under equity	($183,987)

(2) In June 2018, Lifetech Energy Inc. increased its capital by issuing shares. The Group subscribed the new shares. Consequently, the ownership interest increased to 81.97%. Cash acquired from increase capital was 0 thousand. The book value of the net asset (originally have and not included goodwill) of the company is 0 thousand. The equity interest including increase of non-control equity is as follows:

Additional cash received from the issuance of new shares	$—
Increase in non-controlling interests	6,876
Difference recognized in retained earning under equity	($6,876)

(3) The Company disposed of 15% shares (15,710 thousand) of MILDEX OPTICAL INC. in October 2018, and lost control over it. The proceeds from the disposition was $201,945 thousand, and the net gain from the disposition was $15,899 thousand.

The carrying amount of net asset of MILDEX OPTICAL INC is as follows:

	Book value
Cash and cash equivalents	$322,583
Financial assets at fair value through other comprehensive income-current	438,820
Notes receivables, trade receivables and other receivables	249,139
Inventories	145,651
Other current assets	58,636
Financial assets at fair value through other comprehensive income-non-current	741,890
Property, plant and equipment	1,053,095

	Book value
Deferred tax assets	233,789
Other non-current asset	698,198
Short-term borrowings	(361,525)
Trade payables and other payables	(391,013)
Other current liabilities	(1,702)
Long-term (including due within one year)	(1,273,895)
Other non-current liabilities	(216,121)
Net assets	$1,697,545

7. Related party transactions

The following is a summary of transactions between the Company and related parties during the reporting periods:

Name and Relationship of Related Parties

Name of related parties	Relationship with the Company.
PAN-JIT ELECTRONICS (SHANDONG) CO., LTD	Associated Enterprises (Note 1)
MILDEX TECHNOLOGY (SHENZHEN) CO., LTD.	Associated Enterprises (Note 3)
ZIBO MICRO COMMERCIAL COMPONENT CORP.	Associated Enterprises
TRIOTEK-M CO., LTD.	Associated Enterprises (Note 3)
MILDEX OPTICAL INC.	Associated Enterprises (Note 2)
Mildex OPTOELECTRONICS(XUZHOU) Co., Ltd	Associated Enterprises (Note 2)
MILDEX OPTICAL USA, INC.	Associated Enterprises (Note 2)
Fang Minqing and other 14 people	Deputy general manager of the Group above the management level

(Note 1) In March 2018, the Group consolidated PAN-JIT ELECTRONICS (SHANDONG) CO., LTD. The related party transactions between the Group and the company from 1 March 2018 to 31 December 2018 were offset during the consolidation.

(Note 2) In October 2018, the Group lost control of MILDEX OPTICAL INC. The related party transactions between the Group and the company from 1 January 2018 to 30 September 2018 were offset during the consolidation.

(Note 3) The Company had no significant influence on Mildex Technology (Shenzhen) Co., Ltd and TRIOTEK-M CO., LTD. on October 2018, so it is no longer a related party of the Group.

(1) Sales

	2019	2018
ZIBO MICRO COMMERCIAL COMPONENT CORP.	$140,267	$117,970
Other	41	1,023
Total	$140,308	$118,993

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The collection periods to related parties were month-end 90 days, and non-related parties were month-end 30~120 days. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

(2) Purchase

	2019	2018
ZIBO MICRO COMMERCIAL COMPONENT CORP.	$309,873	$244,342
Other	—	2,713
Total	$309,873	$247,055

The purchase price from the related parties was determined through mutual agreement in reference to market conditions. The payment periods to related parties were the same with other company, and were month-end 30~90 days.

(3) Receivables -related parties

	31 Dec. 2019	31 Dec. 2018
ZIBO MICRO COMMERCIAL COMPONENT CORP.	$42,028	$35,125
Other	14	—
Total	$42,042	$35,125

(4) Other receivables -related parties

	31 Dec. 2019	31 Dec. 2018
Mildex OPTOELECTRONICS(XUZHOU) Co., Ltd	$30,030	$24,527
Other	1,064	731
Total	$31,094	$25,258

(5) Payables - related parties

	31 Dec. 2019	31 Dec. 2018
ZIBO MICRO COMMERCIAL COMPONENT CORP.	$55,001	$62,209

(6) Loaning (reported in other payable- related parties)

	31 Dec. 2019	31 Dec. 2018
Mildex OPTOELECTRONICS(XUZHOU) Co., Ltd	$39,264	$42,129

(7) Rental income

	2019	2018
TRIOTEK-M CO., LTD.	$－	$9,900
MILDEX TECHNOLOGY (SHENZHEN) CO., LTD.	－	2,286
MILDEX OPTICAL USA, INC.	749	－
Total	$749	$12,186

The rental price to the related parties was determined through mutual agreement in reference to market conditions.

(8) Acquisition of property, plant and equipment

2019: None

2018:

Name of the related parties	Asset Name	Purchase price
PAN-JIT ELECTRONICS (SHANDONG) CO., LTD	Machinery	$3,094

(9) Sale of property, plant and equipment

2019:

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
ZIBO MICRO COMMERCIAL COMPONENT CORP.	Machinery	$5,310	$8,648	($3,338)

2018: None

(10) Key management personnel compensation

	2019	2018
Short-term employee benefits	$68,140	$69,068
Post-employment benefits	723	1,010
Share-based payment	－	378
Total	$68,863	$70,456

As at 31 December 2019 and 2018, certain members of key management were joint guarantors for the Group’s borrowings from financial institutions.

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

Items	31 Dec. 2019	31 Dec. 2018	Secured liabilities details
Other current assets	$14,390	$9,242	Long-term loans and financial products trade
Property, plant and equipment	1,105,098	1,397,912	Short and long-term loans
Total	$1,119,488	$1,407,154	

9. Commitments and contingencies

(1) Both as at 31 December 2019 and 2018, the Group guaranteed a deposit for customs in the amount of $12,000 thousand.

(2) Jiangsu Aide Solar Energy (hereafter "Jiangsu Aide"), a subsidiary of the Company, and Xuzhou Zhongsheng Photovoltaic New Energy Company (hereafter "Zhong Sheng") signed an asset purchase contract on 2 July 2019. Zong Sheng purchased Jiangsu Aide's right-of-use asset, plant and certain equipment in the amount of $341,387 thousand (RMB79,300 thousand), and assumed Jiangsu Aide's liabilities of $265,778 thousand (RMB61,737 thousand). Jiangsu Aide and Zhong Sheng have entered into liabilities assignment agreement with the creditors of Jiangsu Aide that Zhong Sheng will assume the aforementioned liabilities.

As of the financial report date, as there were disputes regarding the transaction delivery terms and tax burden, the final payment of $75,609 thousand (RMB 17,563 thousand) has not yet completed. However, JiangSu Aide has set aside appropriate loss provisions and both parties sought legal advise to handle the above issues. Due to the Covid-19 outbreak, a court session has not yet been held as of the financial report date.

(3) JiangSu Aide Solar Technology, a subsidiary of the Company, received an arbitration notice from DAX Corporation in March 2019, and both parties reached the payment agreement on 30 January 2020.

(4) JiangSu Aide Solar Technology, a subsidiary of the Ccompany, received the notice of execution from Mildex Optoelectronic (XuZhou) in February 2019, demanding performance of liabilities and payment for the execution fee in the amount of RMB 9,469 thousand. Mildex Optoelectronic (XuZhou) revoked the notice of execution on 12 August 2019. The subsidiary is currently discussing the repayment plan with the creditors.

10. Losses due to major disasters

A fire broke out in PYNMAX Technology CO., LTD., a subsidiary of the Group, on 3 July 2019, which caused part of the plant, equipment and inventory to been damaged and suffered water stain and smoke pollution. The subsidiary has resumed regular operation and derecognized assets that could not be repaired or sold.

The relater assets were covered by fire insurance. As of the report date, the related claims are still being settled with the insurance company.

11. Significant subsequent events

None

12. Other

(1) Categories of financial instruments

Financial assets

	31 Dec. 2019	31 Dec. 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	$1,410,989	$124,674
Financial assets at fair value through other comprehensive income	785,516	893,422
Financial assets measured at amortized cost	5,391,024	5,339,843
Total	$7,587,529	$6,357,939

Financial liabilities

	31 Dec. 2019	31 Dec. 2018
Financial liabilities at amortized cost:		
Short-term loans	$2,195,201	$2,268,535
Note, trade and other payables	2,658,568	2,488,630
Long-term loans(including current portion)	3,411,195	3,191,030
Financial lease commitments	(Note)	191,727
Lease liabilities	221,577	(Note)
Subtotal	8,486,541	8,139,922
Financial liabilities at fair value through profit or loss:		
Held for trading	102	3,655
Total	$8,486,643	$8,143,577

(Note) The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

The Group’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group’s policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group’s profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for USD and EUR. The information of the sensitivity analyses is as follows:

(a) When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2019 and 2018 is increased / decreased by $11,926 thousand and $10,306 thousand, respectively.
(b) When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2019 and 2018 is increased / decreased by ($5,079) thousand and ($6,729) thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 100 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2019 and 2018 to decrease/increase by $44,856 thousand and $39,171 thousand, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(a) At the reporting date, a change of 10% in the price of the listed equity securities measured at fair value through profit or loss could increase / decrease the Group's profit for the years ended 31 December 2019 and 2018 by $196 thousand and $0 thousand, respectively.

(b) At the reporting date, a change of 10% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of $78,552 thousand and $89,342 thousand on the equity attributable to the Group for the years ended 31 December 2019 and 2018, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at 31 December 2019 and 2018, amounts receivables from top ten customers represent 14% and 16%, respectively, of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 December 2019					
Loans	$3,189,038	$1,564,114	$1,022,183	$401	$5,775,736
Trade and other payables	$2,658,568	$—	$—	$—	$2,658,568
Lease liabilities	$37,650	$53,139	$50,714	$113,794	$255,297
As at 31 December 2018					
Loans	$2,921,189	$83,472	$2,687,117	$—	$5,691,778
Trade and other payables	$2,488,630	$—	$—	$—	$2,488,630
Financial lease commitments	$18,855	$37,710	$37,710	$134,490	$228,765

Derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 December 2019					
Forward foreign exchange contracts－Inflows	$95,935	$－	$－	$－	$95,935
Forward foreign exchange contracts－Outflows	($96,021)	$－	$－	$－	($96,021)
As at 31 December 2018					
Forward foreign exchange contracts－Inflows	$1,019,976	$－	$－	$－	$1,019,976
Forward foreign exchange contracts－Outflows	($1,021,971)	$－	$－	$－	($1,021,971)

The table above contains the undiscounted cash flows of derivative financial liabilities.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2019	$2,268,535	$3,191,030	$191,727	$5,651,292
Cash flows	(73,334)	250,108	(37,696)	139,078
Non-cash changes	－	5,745	74,159	79,904
Foreign exchange movement	－	(35,688)	(6,613)	(42,301)
As at 31 Dec. 2019	$2,195,201	$3,411,195	$221,577	$5,827,973

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term borrowings and note payable	Long-term borrowings	Financial lease commitments	Total liabilities from financing activities
As at 1 Jan. 2018	$1,629,368	$5,958,121	$206,770	$7,794,259
Cash flows	1,130,692	(1,556,535)	(13,053)	(438,896)
Non-cash changes	－	15,231	－	15,231
Individual consolidated entity effect	(491,525)	(1,273,895)	－	(1,765,420)
Foreign exchange movement	－	48,108	(1,990)	46,118
As at 31 Dec. 2018	$2,268,535	$3,191,030	$191,727	$5,651,292

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities is determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a. The carrying amount of cash and cash equivalents, financial assets measured at amortized cost , accounts receivables, accounts payable and other current assets approximate their fair value.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

(c) Assets measured at fair value

Please refer to Note 12.9 for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

The Group's derivative financial instruments include forward currency contracts and option contract. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2019 and 2018 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The paragraphs below lists the information related to forward currency contracts:

	Items (by contract)	Notional Amount (thousand)	Contract Period
As at 31 Dec. 2019			
PAN-JIT INTERNATIONAL INC.	Forward currency contract	Buy USD $3,200	9 January 2020~ 16 January 2020
As at 31 Dec. 2018			
PAN-JIT INTERNATIONAL INC.	Forward currency contract	Buy USD $29,385	2 January 2019~ 29 March 2019
PYNMAX TECHNOLOGY CO., LTD. (Subsidiary)	Forward currency contract	Buy USD $3,850	2 January 2019~ 14 February 2019

Cross currency swap contracts

Cross currency swap contracts was to hedge exchange rate risk, but not being designated as hedging instruments. The information related to outstanding cross currency swap contracts is as follows:

PAN-JIT INTERNATIONAL INC.

a. As at 31 December 2019: None.

b. As at 31 December 2018:

Contract amount (thousand)	Duration	Buy rate	Pay rate	Exchange period
Buy USD $3,000	25 October 2018~	—	3.51%	25 October 2018~
Sell TWD $92,850	23 January 2019	0.90%	—	23 January 2019

Contract amount (thousand)	Duration	Buy rate	Pay rate	Exchange period
Buy USD $5,000	7 November 2018~	—	3.38%	7 November 2018~
Sell TWD $153,500	15 February 2019	0.87%	—	15 February 2019

Contract amount (thousand)	Duration	Buy rate	Pay rate	Exchange period
Buy USD $4,000	21 November 2018~	—	3.77%	21 November 2018~
Sell TWD $123,400	27 February 2019	0.90%	—	27 February 2019

Contract amount (thousand)	Duration	Buy rate	Pay rate	Exchange period
Buy USD $4,500	20 December 2018~	—	3.93%	20 December 2018~
Sell TWD $138,825	28 March 2019	1.00%	—	28 March 2019

PYNMAX TECHNOLOGY CO., LTD. (Subsidiary)

a. As at 31 December 2019: None

b. As at 31 December 2018:

Contract amount (thousand)	Duration	Buy rate	Pay rate	Exchange period
Buy USD $2,700	14 December 2018~	—	3.44%	14 December 2018~
Sell TWD $83,295	28 February 2019	0.88%	—	28 February 2019

The counterparties of aforementioned derivatives are well-known banks at domestic and abroad, with good credit, so the credit risk is low.

The Company entered into cross currency swap contracts and forward exchange contract to hedge foreign currency risk of net assets or net liabilities. As there will be corresponding cash inflows or outflows upon maturity and the Company has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$—	$674,585	$—	$674,585
Financial asset – structured deposit	$—	$—	$734,433	$734,433
Stocks	$1,956	$—	$—	$1,956
Cross currency swap contracts	$—	$15	$—	$15
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$519,819	$265,697	$—	$785,516
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	$—	$102	$—	$102

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$—	$92,944	$—	$92,944
Financial asset – structured deposit	$—	$—	$31,304	$31,304
Forward exchange agreement and cross currency swap contracts	$—	$426	$—	$426
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$522,941	$370,481	$—	$893,422
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts and cross currency swap contracts	$—	$3,655	$—	$3,655

<u>Transfers between Level 1 and Level 2 during the period</u>

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

<u>Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:</u>

	Financial assets at fair value through profit or loss structured deposit
Beginning balances as at 1 January 2019	$31,304
Total gains and losses recognized for the year ended 31 December 2019:	
Amount recognized in profit or loss (presented in "other profit or loss")	—
Acquisition/issues for the year ended 31 December 2019	723,240
Disposal/settlements for the year ended 31 December 2019	(18,942)
Exchange differences	(1,169)
Ending balances as at 31 December 2019	$734,433

	Financial assets at fair value through profit or loss structured deposit
Beginning balances as at 1 January 2018	$—
Total gains and losses recognized for the year ended 31 December 2018:	
Amount recognized in profit or loss (presented in “other profit or loss”)	—
Acquisition/issues for the year ended 31 December 2018	31,304
Ending balances as at 31 December 2018	$31,304

(10)Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	31 December 2019		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$72,446	29.98	$2,171,931
EUR	$17,303	33.59	$581,209
HKD	$3,579	3.849	$13,777
RMB	$455,378	4.305	$1,960,402
KRW	$934,276	0.02617	$24,450
Financial liabilities			
Monetary items:			
USD	$15,629	29.98	$468,545
EUR	$36,047	33.59	$1,210,830
RMB	$305,636	4.305	$1,315,762
KRW	$415,934	0.02617	$10,885

	31 December 2018		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$79,976	30.7150	$2,456,452
EUR	$13,831	35.2000	$486,835
HKD	$4,425	3.9210	$17,352
RMB	$414,118	4.4720	$1,851,934
KRW	$818,666	0.02775	$22,718
Financial liabilities			
Monetary items:			
USD	$32,651	30.7150	$1,002,882
EUR	$36,515	35.2000	$1,285,319
RMB	$227,769	4.4720	$1,018,586
KRW	$412,216	0.02775	$11,439

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's functional currency are various, and hence is not able to disclose the information of exchange gains and losses by each significant assets and liabilities denominated in foreign currencies. The exchange (loss) gains of monetary financial assets and liabilities was ($25,578) thousand and $86,644 thousand for the years ended December 31 2019 and 2018, respectively.

(11)Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(12)The Group's former subsidiary, MILDEX OPTICAL INC. (MILDEX OPTICAL), resolved at its board meeting held on 5 December 2017 to dispose of land, plant and equipment, inventories and intangible assets, and sold them to QINGYI OPTICAL CO., LTD. on 31 January 2018. The transaction amount was 253,911 thousand (including tax).

(13) The Group's subsidiary, JIANGSU AIDE SOLAR ENERGY TECHNOLOGY CO., LTD. has not improved its operations due to the continuing downturn in the solar energy industry. The Group considered the overall operating conditions and the future plan in accordance with the International Accounting Standards and the International Accounting Standard, and recognized impairment losses for the subsidiary's financial assets as follows:

	2018	
Item	USD (thousands)	NTD (thousands)
Refundable deposits	$4,369	$131,791

13. Segment information

(1) For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

a. Diodes: Manufacture and sale the wafers, power components and control module.
b. Panel: Manufacture and sale the touch panel, optical lens and glass products.(no loner a consolidated entity in October 2018.)
c. Solar: Manufacture and sale solar photovoltaic product and sales of electricity
d. Others: Lithium battery management system designed and manufactured; Manufacture and sale LED product.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However financial cost, financial income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm’s length basis in a manner similar to transactions with third parties.

Information on reconciliations of revenue and profit or loss of reportable segments for the years ended 31 December 2019 and 2018:

	2019				
	Diodes	Solar	Others	Adjustment	Total
Revenue					
External customers	$8,932,686	$205,679	$4,285	$－	$9,142,650
Inter-segment	(36)	－	5,401	(5,365)	－
Total revenue	$8,932,650	$205,679	$9,686	($5,365)	$9,142,650
Segment profit	$677,678	$12,857	($62,125)	($27,838)	$600,572

(a) Inter-segment revenues were eliminated on consolidation.

(b) The profit for each operating segment did not include non-operating income and expenses in the amount of ($27,838) thousand and income tax expense in the amount of $97,560 thousand. Segment profit included inter-segment sales of $0 thousand and non-operating income and expenses of ($27,838) thousand.

	2018					
	Diodes	Panel	Solar	Others	Adjustment	Total
Revenue						
External customers	$10,319,232	$795,575	$241,070	$16,649	($6,921)	$11,365,605
Inter-segment	1,567	—	—	11,137	(12,704)	—
Total revenue	$10,320,799	$795,575	$241,070	$27,786	($19,625)	$11,365,605
Segment profit	$1,082,532	($48,167)	($18,922)	($82,988)	$20,261	$952,716

(a) Inter-segment revenues were eliminated on consolidation.

(b) The profit for each operating segment did not include non-operating income and expenses in the amount of $20,261 thousand and income tax expense in the amount of $110,185 thousand. Segment profit included inter-segment sales of $0 thousand and non-operating income and expenses of $20,261 thousand.

As at 31 December 2018 and 2017, the assets and liabilities of reportable segment information were as follows:

	31 December 2019				
	Diodes	Solar	Others	Adjustment	Total
Assets	$8,525,948	$1,407,937	$71,088	$5,417,123	$15,422,096

	31 December 2018				
	Diodes	Solar	Others	Adjustment	Total
Assets	$8,950,996	$1,808,871	$69,412	$4,921,157	$15,750,436

	31 December 2019				
	Diodes	Solar	Others	Adjustment	Total
Liabilities	$7,348,299	$235,541	$4,489	$1,459,896	$9,048,225

	31 December 2018				
	Diodes	Solar	Others	Adjustment	Total
Liabilities	$6,869,048	$265,087	$3,235	$1,930,532	$9,067,902

(2) Geographic areas information

a. Revenue from external customers: (Summarized by country)

Country	2019	2018
China (including Hong Kong)	$6,757,506	$7,850,316
Korea	385,626	258,862
U.S.A.	128,932	282,683
Japan	50,629	81,680
Germany	340,405	534,926
Italy	216,960	281,184
Others	1,262,592	2,075,954
Total	$9,142,650	$11,365,605

b. Non-current assets:

Area	31 Dec. 2019	31 Dec. 2018
Taiwan	$2,860,028	$3,131,957
China	1,431,676	2,208,624
Others	1,823,407	1,793,812
Total	$6,115,111	$7,134,393

(3) Major customers

Individual customer accounting for at least 10% of net sales for the years ended 31 December 2019 and 2018: None.