PANJIT INTERNATIONAL INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED

31 December 2019 AND 2018

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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.

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To PANJIT INTERNATIONAL INC.

Opinion

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

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2019 and 2018, and their parent company only 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.

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 parent only Financial Statements* section of our report. We are independent of the Company 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Revenue Recognition

Operating revenues of the Company amounted to $5,941,910 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 parent company only financial statements.

2. Evaluation of Inventories

As of 31 December 2019, the Company's net inventories amounted to $910,339 thousand, constituting 8% of total assets, and regard as material. 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 parent company only 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 parent company only financial statements.

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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 Parent Company Only Financial Statements

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 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.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only financial statements.

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

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.

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 to express an opinion on the parent company only 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.

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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 parent company only 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.

Ernst & Young, Taiwan

23 March 2020

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, 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.

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English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC.

PARENT COMPANY ONLY BALANCE SHEETS

31 December, 2019 and 2018

(Expressed in Thousand of New Taiwan Dollars)

Assets	Notes	31 December , 2019		31 December , 2018	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	6(1)	$235,093	2	$368,908	3
Financial assets at fair value through profit or loss, current	6(2)	91,911	1	426	0
Notes receivable,net	6(4)(16)	37,952	0	40,483	0
Trade receivable, net	6(5)(16)	1,455,588	12	1,715,496	14
Trade receivable-related parties, net	6(5)(16), 7	121,504	1	197,184	2
Other receivable, net	7	29,490	0	89,985	1
Current tax assets		111	0	111	0
Inventories, net	6(6)	910,339	8	1,113,746	9
Other current assets	8	107,926	1	90,176	1
Total current assets		2,989,914	25	3,616,515	30
Non-current assets					
Financial assets at fair value through other comprehensive income, noncurrent	6(3)	164,833	2	151,632	1
Investments accounted for under the equity method	6(7)	6,683,179	55	6,172,915	51
Property, plant and equipment	6(8),7,8	1,892,469	16	1,805,856	15
Right-of-use asset	6(17)	6,894	0	-	-
Intangible assets	6(9)	51,975	0	44,450	0
Deferred tax assets	6(21)	290,905	2	221,236	2
Prepayment for equipments		5,863	0	81,625	1
Other assets-others		4,922	0	4,667	0
Total non-current assets		9,101,040	75	8,482,381	70
Total assets		$12,090,954	100	$12,098,896	100

Liabilities and Equity	Notes	31 December , 2019		31 December , 2018	
		Amount	%	Amount	%
Current liabilities					
Short-term loans	6(10)	$1,989,732	16	$1,528,797	12
Financial liabilities at fair value through profit or loss, current	6(11)	102	0	3,054	0
Contract liabilities,current	6(15)	189	0	2,038	0
Trade payable		412,274	3	578,414	5
Trade payable-related parties, net	7	240,292	2	489,530	4
Other payables	7	434,965	4	601,993	5
Current tax liabilities	6(21)	126,361	1	2,266	0
Lease liabilities, current	6(17)	6,553	0	-	-
Other current liabilities		10,455	0	10,878	0
Total current liabilities		3,220,923	26	3,216,970	26
Non-current liabilities					
Long-term loans	6(12),8	2,450,978	20	2,187,079	18
Deferred tax liabilities	6(21)	72,360	1	86,485	1
Lease liabilities, noncurrent	6(17)	401	0	-	-
Defined benefit liabilities	6(13)	97,103	1	92,524	1
Other non-current liabilities		494	0	-	-
Total non-current liabilities		2,621,336	22	2,366,088	20
Total liabilities		5,842,259	48	5,583,058	46
Equity					
Capital					
Common stock	6(14)	3,328,149	28	3,697,944	31
Capital Surplus	6(14)	2,202,946	18	2,196,674	18
Retained earnings	6(14)				
Legal reserve		186,432	2	108,104	1
Special reserve		525,032	4	254,865	2
Unappropriated earnings		723,373	6	783,283	6
Total retain earnings		1,434,837	12	1,146,252	9
Other components of equity		(717,237)	(6)	(525,032)	(4)
Total equity		6,248,695	52	6,515,838	54
Total liabilities and equity		$12,090,954	100	$12,098,896	100

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC.

PARENT COMPANY ONLY 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(15),7	$5,941,910	100	$6,837,612	100
Operating costs	6(18),7	(4,731,153)	(79)	(5,365,797)	(78)
Gross profit		1,210,757	21	1,471,815	22
Unrealized sales profit (loss)		(20,066)	(0)	(18,422)	(0)
Realized sales profit (loss)		18,422	0	26,300	0
Gross profit-net		1,209,113	21	1,479,693	22
Operating expenses	6(16).(18),7				
Selling expenses		(327,144)	(6)	(351,115)	(5)
General and administrative expenses		(215,721)	(4)	(236,912)	(3)
Research and development expenses		(123,402)	(2)	(101,670)	(2)
Expected credit gains (losses)		2,092	0	(358)	(0)
Subtotal		(664,175)	(12)	(690,055)	(10)
Operating income		544,938	9	789,638	12
Non-operating income and expenses	6(19)				
Other income		18,847	0	15,976	0
Other gains and losses		(16,761)	(0)	97,592	1
Finance costs		(55,663)	(1)	(63,951)	(1)
Share of profit or loss of subsidiaries and associates accounted for using equity method	6(7)	119,450	2	110,146	2
Subtotal		65,873	1	159,763	2
Income from continuing operations befor income tax		610,811	10	949,401	14
Income tax expenses	6(21)	(80,602)	(1)	(57,660)	(1)
Net income		530,209	9	891,741	13
Other comprehensive income (loss)	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans		(6,274)	(0)	11,245	0
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income		(27,562)	(0)	(160,111)	(2)
Income tax related to items that will not be reclassified subsequently		2,159	0	17,769	0
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(203,107)	(3)	(37,878)	(1)
Income tax related to items that may be reclassified subsequently		37,606	1	16,676	0
Total other comprehensive income (loss), net of tax		(197,178)	(2)	(152,299)	(3)
Total comprehensive income		$333,031	7	$739,442	10
Earnings per share (NTD)					
Earnings per share-basic	6(22)	$1.50		$2.41	
Earnings per share-diluted	6(22)	$1.50		$2.40	

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December, 2019 and 2018

(Expressed in Thousand of New Taiwan Dollars)

	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 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
Impact of retroactive applications	-	-	-	-	181,470	-	7,149	(184,923)	-	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
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
Other comprehensive income (loss), net of tax in 2018					9,661	(21,202)	(140,758)			(152,299)
Total comprehensive income (loss)	-	-	-	-	901,402	(21,202)	(140,758)	-	-	739,442
Adjustments arising from changes in percentage of ownership in subsidiaries					(182,422)					(182,422)
Disposal of equity instrument investments measured at fair value through other comprehensive income					(118,379)		84,534			(33,845)
Others		(5,516)			(8,282)				2,873	(10,925)
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
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)
Share of changes in net assets of associates accounted for using the euity method		489			(33,270)				153	(32,628)
Net income in 2019					530,209					530,209
Other comprehensive income (loss), net of tax in 2019					(4,761)	(165,501)	(26,916)			(197,178)
Total comprehensive income (loss)	-	-	-	-	525,448	(165,501)	(26,916)	-	-	333,031
Capital reduction	(369,795)									(369,795)
Adjustments arising from changes in percentage of ownership in subsidiaries		5,783			(17,404)				59	(11,562)
Disposal of equity instrument investments measured at fair value through other comprehensive income					(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

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC.

PARENT COMPANY ONLY 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:		
Income from continuing operation before income tax	$610,811	$949,401
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:		
Depreciation	409,112	441,381
Amortization	23,068	18,170
Expected credit (gains)losses	(2,092)	358
Net (gain) loss of financial assets at fair value through profit or loss	(19,267)	1,738
Interest expense	55,663	63,951
Interest revenue	(7,388)	(1,588)
Dividend revenue	(5,074)	(3,864)
Share of profit of subsidiaries and associates accounted for using equity method	(119,450)	(110,146)
(Gain) on disposal of property, plant and equipment	(3,307)	(16,238)
(Gain) on disposal of investments	(142)	(15,925)
Impairment loss on non-financial assets	7,420	-
Unrealized sales profit	20,066	18,422
Realized sales profit	(18,422)	(26,300)
Others	56,131	38,661
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	(75,028)	974
Notes receivable	2,531	(5,061)
Trade receivable	262,000	(385,556)
Trade receivable-related parties	75,680	183,211
Other receivables	(7,956)	14,398
Other receivables-related parties	68,451	(68,524)
Inventories	151,169	(210,228)
Other current assets	(17,750)	(38,618)
Changes in operating liabilities:		
Contract liabilities	(1,849)	2,038
Trade payable	(166,140)	(33,245)
Trade payable-related parties	(249,238)	(194,374)
Other payables	(140,100)	108,642
Other current liabilities	(423)	715
Net defined benefit liabilities, non-current	(2,983)	(47,340)
Cash generated from operations	905,493	685,053
Interest received	7,388	1,588
Income tax paid	(537)	(19,521)
Net cash provided by operating activities	912,344	667,120
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 investments accounted for under the equity method	(657,540)	(255,395)
Proceeds from disposal of investments accounted for under the equity method	-	201,945
Acquisition of property, plant and equipment	(468,580)	(339,686)
Proceeds from disposal of property, plant and equipment	38,087	75,476
Increase in refundable deposits	(255)	(215)
Acquisition of intangible assets	(30,593)	(28,646)
Increase in prepayment for equipments	(11,327)	(135,624)
Dividends received	5,074	214,631
Net cash (used in) investing activities	(1,148,115)	(267,977)
Cash flows from financing activities:		
Increase in short-term loans	460,935	889,277
Proceeds from long-term loans	260,500	-
Repayments of long-term loans	-	(905,800)
Other payable-related parties	-	(150,000)
Cash payments for the principle portion of the lease liability	(8,410)	-
Cash dividends	(184,897)	-
Capital reduction	(369,795)	-
Interest paid	(56,377)	(62,931)
Net cash (used in) provided by financing activities	101,956	(229,454)
Net increase in cash and cash equivalents	(133,815)	169,689
Cash and cash equivalents at beginning of period	368,908	199,219
Cash and cash equivalents at end of period	$235,093	$368,908

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

PANJIT INTERNATIONAL INC.

NOTES TO PARENT ONLY 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 parent only financial statements of the Company 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 Company 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 Company 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 Company 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 Company elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Company 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 Company 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 Company assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company 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 Company 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 Company 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 Company's right-of-use asset and lease liability increased by $14,078 thousand and $14,078 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Company 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) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(c) 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%.
ii. The explanation for the difference 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	$14,078
Add: the carrying value of lease payables as at 31 December 2018	–
The carrying value of lease liabilities recognized as at 1 January 2019	$14,078

(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 Company 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 Company evaluated that the newly issued or amended standards and interpretations had no material impact on the Company.

(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 Company 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 Parent only 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 Parent only 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 Parent only 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 Company 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 Company 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 Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company evaluated that the newly issued or amended standards and interpretations had no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent only financial statements of the Company 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").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial

statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company's parent only financial statements are presented in NT$. Transactions in foreign currencies are initially recorded at the 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.

(4) 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.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(b) The Company holds the asset primarily for the purpose of trading
(c) The Company 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 Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) 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.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company 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) Financial instruments: Recognition and Measurement.

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

The Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Company 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 Company 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 Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company 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 Company 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 Company 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.

(8) Derivative instrument

The Company 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.

(9) 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 Company.

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 Company 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.

(10) 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.

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

Non-current assets and disposal Companys 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 Company is available for immediate sale in its present condition. Non-current assets and disposal Companys classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the parent only 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 Company 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.

(12) Investments accounted for using the equity method

The Company'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 Company 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 Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company'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 Company's percentage of ownership interests in the associate, the Company 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 Company's interest in an associate is reduced or increased as the Company 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 Company disposes the associate.

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

The Company 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 Company 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 Company 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 Company 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.

(13) 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 Company 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	4～51 years
Machinery and equipment	2～10 years
Utilities equipment	6～13 years
Office equipment	5～6 years
Right-of-use assets/Leased assets (Note)	3～5 years
Other equipment	1～25 years

(Note) The Company 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.

(14) Leases

The accounting policy from 1 January 2019 as follows:

For contracts entered on or after 1 January 2019, the Company 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 Company 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 Company elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Company 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

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

At the commencement date, the Company 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 Company 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 Company 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 Company 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 Company 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 Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company 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 Company 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 Company accounted for as short-term leases or leases of low-value assets, the Company 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 Company 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.

Company as a lessor

At inception of a contract, the Company 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 Company 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 Company allocates the consideration in the contract applying IFRS 15.

The Company 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 follows:

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

Leases in which the Company 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.

(15) 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 Company's intangible assets is as follows:

	Computer software	Other intangible assets
Useful lives	Finite (1～5 years)	Finite (5～10 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

(16) Impairment of non-financial assets

The Company 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 Company 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 Company 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.

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

(17) Provisions

Provisions are recognized when the Company 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 Company 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.

(18) 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.

(19) Revenue recognition

The Company'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 Company 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 Company is diode and rectifier and revenue is recognized based on the consideration stated in the contract.

The Company 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 Company's sale of goods is from 60 to 120 days. For most of the contracts, when the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company didn't adjust the transaction price for the time value of money.

(20) 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.

(21) 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 Company 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.

(22) Post-employment benefits

All regular employees of the Company is 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. Therefore fund assets are not included in the Company's parent only financial statements.

For the defined contribution plan, the Company 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.

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 Company 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.

(23) 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.

<u>Current income tax</u>

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 Company 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 Company 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.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's parent only 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 Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent only financial statements:

Certain properties of the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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	$210	$470
Checking, demand deposits and time deposits	234,883	368,438
Total	$235,093	$368,908

(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:		
Stocks	$1,956	$—
Fund	89,940	—
Derivatives not designated as hedging instruments		
Forward exchange agreement and cross currency swap contracts	15	426
Total	$91,911	$426
Current	$91,911	$426
Non-current	—	—
Total	$91,911	$426

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	$122,715	$130,221
Unlisted companies stocks	42,118	21,411
Total	$164,833	$151,632

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

(4) Notes receivables, net

	31 Dec. 2019	31 Dec. 2018
Notes receivables arising from operating activities	$37,952	$40,483
Less: loss allowance	—	—
Net amount	$37,952	$40,483

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.16 for more details on loss allowance and Note 12 for details on credit risk.

(5) Trade receivables and Trade receivables-related parties

	31 Dec. 2019	31 Dec. 2018
Trade receivables	$1,471,321	$1,733,321
Less: loss allowance	(15,733)	(17,825)
Subtotal	1,455,588	1,715,496
Trade receivables-related parties	121,504	197,184
Net amount	$1,577,092	$1,912,680

Trade receivables were not pledged.

Trade receivables are generally on 60 to 120 day terms. The total carrying amount as of 31 December 2019 and 31 December 2018 are $1,592,825 thousand and $1,930,505 thousand respectively. Please refer to Note 6.16 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.

(6) Inventories

	31 Dec. 2019	31 Dec. 2018
Raw materials	$257,158	$471,977
Work in progress	44,278	48,895
Finished goods	608,903	592,874
Total	$910,339	$1,113,746

The cost of inventories recognized in expenses amounted to $4,731,153 thousand for the ended 31 December 2019, including the write-down of inventories of $52,238 thousand.

The cost of inventories recognized in expenses amounted to $5,365,797 thousand for the ended 31 December 2018, including the write-down of inventories of $37,122 thousand.

Inventories were not pledged.

(7) Investments accounted for using the equity method

	31 Dec. 2019		31 Dec. 2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
PAN-JIT ASIA INTERNATIONAL INC.	$5,160,446	100.00%	$4,684,664	100.00%
PYNMAX TECHNOLOGY CO., LTD.	1,285,661	94.52%	1,251,860	94.43%
LIFETECH ENERGY INC..	1,248	20.57%	1,069	20.57%
Investments in associates:				
MILDEX OPTICAL INC.	235,824	20.51%	235,322	20.50%
	$6,683,179		$6,172,915	

The Company resolved at its the board of directors' meeting to disposed of 15% shares (15,710 thousand shares) of MILDEX OPTICAL INC on 09 October 2019, which caused its ownership to decrease to 20.50% (21,470 thousand shares), less than one-third of the total rights of voting shares issued by MILDEX OPTICAL INC.

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

Investees	2019	2018
PAN-JIT ASIA INTERNATIONAL INC.	$108,437	$25,460
PYNMAX TECHNOLOGY CO., LTD.	30,312	103,294
LIFETECH ENERGY INC..	179	(5,584)
MILDEX OPTICAL INC.	(19,478)	(13,024)
	$119,450	$110,146

(8) Property, plant and equipment

	31 Dec. 2019 (Note)	31 Dec. 2018
Owner occupied property, plant and equipment	$1,892,469	

(Note) The Company adopted IFRS 16 since 1 January 2019. The Company 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	Utilities equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2019	$279,381	$254,197	$5,160,581	$26,511	$47,340	$408,123	$31,115	$6,207,248
Additions	169,899	135,708	45,535	—	5,209	22,046	64,171	442,568
Disposals	—	—	(357,211)	—	(690)	(800)	—	(358,701)
Transfers	—	27,024	126,190	—	—	2,802	(66,521)	89,495
As at 31 Dec. 2019	$449,280	$416,929	$4,975,095	$26,511	$51,859	$432,171	$28,765	$6,380,610
Depreciation and impairment:								
As at 1 Jan. 2019	$—	$128,710	$3,930,563	$25,994	$39,122	$277,003	$—	$4,401,392
Depreciation	—	7,174	350,608	117	3,841	39,104	—	400,844
Disposals	—	—	(323,170)	—	(435)	(316)	—	(323,921)
Impairment losses	—	—	7,420	—	—	—	—	7,420
Transfers	—	—	2,406	—	—	—	—	2,406
As at 31 Dec. 2019	$—	$135,884	$3,967,827	$26,111	$42,528	$315,791	$—	$4,488,141
Net carrying amount as at:								
31 Dec. 2019	$449,280	$281,045	$1,007,268	$400	$9,331	$116,380	$28,765	$1,892,469

(Note) The Company adopted IFRS 16 since 1 January 2019. The Company 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	Utilities equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2019	$279,381	$253,982	$4,981,917	$26,511	$46,032	$349,868	$69,298	$6,006,989
Additions	—	215	152,741	—	1,308	41,622	81,312	277,198
Disposals	—	—	(393,113)	—	—	(1,952)	—	(395,065)
Transfers	—	—	419,036	—	—	18,585	(119,495)	318,126
As at 31 Dec. 2019	$279,381	$254,197	$5,160,581	$26,511	$47,340	$408,123	$31,115	$6,207,248
Depreciation and impairment:								
As at 1 Jan. 2019	$—	$122,500	$3,867,094	$25,851	$35,285	$245,108	$—	$4,295,838
Depreciation	—	6,210	397,436	143	3,837	33,755	—	441,381
Disposals	—	—	(333,967)	—	—	(1,860)	—	(335,827)
Transfers	—	—	—	—	—	—	—	—
As at 31 Dec. 2019	$—	$128,710	$3,930,563	$25,994	$39,122	$277,003	$—	$4,401,392
Net carrying amount as at:								
31 Dec. 2019	$279,381	$125,487	$1,230,018	$517	$8,218	$131,120	$31,115	$1,805,856

In the years ended 31 December 2019, the $7,420 thousand impairment loss represented the write down of certain property, plant and equipment 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.

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

(9) Intangible assets

	Computer software	Other intangible assets	Total
Cost:			
As at 1 Jan. 2018	$74,073	$3,270	$77,343
Addition-acquired separately	28,646	—	28,646
Disposals	(31,630)	(270)	(31,900)
As at 31 Dec. 2018	71,089	3,000	74,089
Addition-acquired separately	30,593	—	30,593
Disposals	(19,526)	—	(19,526)
As at 31 Dec. 2019	$82,156	$3,000	$85,156
Amortization and Impairment:			
As at 1 Jan. 2018	$41,985	$1,384	$43,369
Amortization	17,834	336	18,170
Disposals	(31,630)	(270)	(31,900)
As at 31 Dec. 2018	28,189	1,450	29,639
Amortization	22,768	300	23,068
Disposals	(19,526)	—	(19,526)
As at 31 Dec. 2019	$31,431	$1,750	$33,181
Net carrying amount as at:			
31 Dec. 2019	$50,725	$1,250	$51,975
31 Dec. 2018	$42,900	$1,550	$44,450

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

	2019	2018
Operating costs	$2,325	$1,736
Research and development costs	$4,310	$364

(10) Short-term loans

	31 Dec. 2019	31 Dec. 2018
Unsecured bank loans	$1,989,732	$1,528,797
Interest rates	0.93%~2.81%	0.87%～3.93%

The Company’s unused short-term lines of credits amounted to $2,929,968 thousand and $3,671,590 thousand, as at 31 December 2019 and 2018, respectively.

(11) 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	$3,054

(12) 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)	23,000	—
Credit loan	198,000	198,000
Subtotal	2,458,500	2,198,000
(Less): Due within one year	—	—
(Less): Unamortized cost of syndicated loan	(7,028)	(10,921)
(Less): Deferred government grants	(494)	—
Total	$2,450,978	$2,187,079
Interest rates	0.90%～1.7895%	1.16%～1.7895%

(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 parent only 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 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.

(13) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2019 and 2018 were $33,943 thousand and $32,188 thousand, respectively.

Defined benefits plan

The Company adopts 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 contributes 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 assesses 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 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 Company 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	934	1,847
Total	$3,201	$4,333

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	$158,664	$164,549	$177,654
Plan assets at fair value	(61,561)	(72,025)	(29,869)
Other non-current liabilities – Defined benefit liabilities recognized on the parent only balance sheets	$97,103	$92,254	$147,785

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	$177,654	($29,869)	$147,785
Current period service costs	2,486	—	2,486
Net interest expense (income)	2,221	(374)	1,847
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	182,361	(30,243)	152,118
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	330	—	330
Actuarial gains and losses arising from changes in financial assumptions	3,786	—	3,786
Experience adjustments	(11,110)	—	(11,110)
Remeasurements of the defined benefit asset	—	(926)	(926)
Subtotal	175,367	(31,169)	144,198
Payments from the plan	(10,818)	10,818	—
Contributions by employer	—	(51,674)	(51,674)
As at 31 Dec. 2018	164,549	(72,025)	92,524
Current period service costs	2,267	—	2,267
Net interest expense (income)	1,662	(728)	934
Past service cost and gains and losses arising from settlements	—	—	—
Subtotal	168,478	(72,753)	95,725
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(142)	—	(142)
Actuarial gains and losses arising from changes in financial assumptions	5,013	—	5,013
Experience adjustments	4,939	—	4,939
Remeasurements of the defined benefit asset	—	(2,247)	(2,247)
Subtotal	9,810	(2,247)	7,563
Payments from the plan	(19,624)	19,624	—
Contributions by employer	—	(6,185)	(6,185)
As at 31 Dec. 2019	$158,664	($61,561)	$97,103

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%	1.01%
Expected rate of salary increases	1.50%	1.50%

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%	$−	$8,538	$−	$7,707
Discount rate decrease by 0.5%	$11,279	$−	$11,739	$−
Future salary increase by 0.5%	$11,134	$−	$11,614	$−
Future salary decrease by 0.5%	$−	$8,521	$−	$7,708

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.

(14) 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 6.18 for further details on employees' compensation and remuneration to directors and supervisors.

(15) Sales

Revenue from contracts with customers	2019	2018
Sale of goods	$5,941,910	$6,837,612

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

(1) Disaggregation of revenue

The Company is a single operating department. Sale of goods amounted to $5,941,910 thousand and 6,837,612 thousand for the years ended 31 December 2019 and 2018, respectively, which were recognized as revenue at a certain point in time.

(2) Contract balances

Contract liabilities - current

	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Sales of goods	$189	$2,038	$28

The changes in the balance of contract liabilities of the Company 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.

(16) Expected credit gains (losses):

	2019	2018
Operation expense－Expected credit gains (losses)		
Trade receivable	$2,092	($358)

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

The Company 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 Company's loss allowance as at 31 December 2019 and 2018 are as follows:

The Company needed to consider the Companying 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

	1-90 Days (Note)	91-180 days	181-270 Days	271-360 days	Over 361days	Total
Gross carrying amount	$1,375,149	$126,604	$2,267	$1,921	$3,332	$1,509,273
Loss ratio	－	8.68%	20.00%	50.00%	100.00%	
Lifetime expected credit losses	－	(10,987)	(453)	(961)	(3,332)	(15,733)
Carrying amount of trade receivables	$1,375,149	$115,617	$1,814	$960	$－	$1,493,540

2018.12.31

	1-90 Days (Note)	91-180 days	181-270 days	271-360 days	Over 361days	Total
Gross carrying amount	$1,622,704	$145,111	$948	$178	$4,863	$1,773,804
Loss ratio	－	8.74%	20.00%	50.00%	100.00%	
Lifetime expected credit losses	－	(12,683)	(190)	(89)	(4,863)	(17,825)
Carrying amount of trade receivables	$1,622,704	$132,428	$758	$89	$－	$1,755,979

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

	Trade receivables
As at 1 Jan. 2019	$17,825
Charge (revisal) of current period	(2,092)
Write off	—
As at 31 Dec. 2019	$15,733
As at 1 Jan. 2018 (in accordance with IAS 39)	$17,467
As at 1 Jan. 2018 adjusted retained earnings	—
As at 1 Jan. 2018 (in accordance with IFRS 9)	17,467
Charge (revisal) of current period	358
Write off	—
As at 31 Dec. 2018	$17,825

(17) Leases

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

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

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	$1,055	
Buildings	4,530	
Transportation equipment	1,309	
Total	$6,894	

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

During the year ended 31 December 2019, the Company's right-of-use assets increase 1,084 thousand.

b. Lease liabilities

	31 Dec. 2019	31 Dec. 2018 (Note)
Current	$6,553	
Non-current	401	
Total	$6,954	

Please refer to Note 6.19(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 Company adopted IFRS 16 since 1 January 2019. The Company 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	$745	
Buildings	6,265	
Transportation equipment	1,258	
Total	$8,268	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company 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	$1,843	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	$100	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company 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 Company's total cash outflows for leases amounting to $8,410 thousand.

E. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company 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 Company.

After the commencement date, the Company 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 Company 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 - Company as a lessee (applicable to the disclosure requirement in IAS 17)

The Company has signed non-cancellable operating leases. There are no restrictions placed upon the Company 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

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

(18) 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	$572,656	$226,306	$798,962	$620,905	$263,316	$884,221
Labor and health insurance	$55,692	$25,457	$81,149	$53,441	$23,825	$77,266
Pension	$27,171	$9,973	$37,144	$26,048	$10,473	$36,521
Compensation of the supervisor	$—	$13,609	$13,609	$—	$18,751	$18,751
Other employee benefits expense	$48,975	$10,306	$59,281	$55,388	$12,485	$67,873
Depreciation	$381,030	$28,082	$409,112	$427,510	$13,871	$441,381
Amortization	$2,325	$20,743	$23,068	$1,736	$16,434	$18,170

Note: The number of employees in this year and the previous year was 1,347 and 1,395 respectively, of which the number of directors who were not concurrently employees was five.

Companies whose stocks have been listed on the stock exchange should disclose the following information:

(1) The average employee benefit expense for 2019 was $728 thousand. The average employee benefit expense for 2018 was $767 thousand.
(2) The average employee salary expense for 2019was $595 thousand. The average employee salary cost of 2018 was $636 thousand.

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.

(19) Non-operating income and expenses

(a) Other income

	2019	2018
Interest income - finance asset measured at amortized cost	$7,388	$1,588
Dividend income	5,074	3,864
Others income	6,385	10,524
Total	$18,847	$15,976

(b) Other gains and losses

	2019	2018
Gains on disposal of property, plant and equipment	$3,307	$16,238
Gains on disposal of investments	142	15,925
Foreign exchange (losses)gains, net	(31,539)	69,822
Losses on financial assets / financial liabilities at fair value through profit (losses) (Note)	19,267	1,738
Impairment losses - property, plant and equipment	(7,420)	—
Others	(518)	(6,131)
Total	($16,761)	$97,592

(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	($55,461)	($63,951)
Interest on lease liabilities	(202)	(Note)
Total	($55,663)	($63,951)

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

(20) 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	($6,274)	$—	($6,274)	$1,513	($4,761)
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income	(27,562)	—	(27,562)	646	(26,916)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(203,107)	—	(203,107)	37,606	(165,501)
Total of other comprehensive income	($236,943)	$—	($236,943)	$39,765	($197,178)

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	$11,245	$—	$11,245	($1,584)	$9,661
Unrealized gains or losses from equity instrument investments measured at fair value through other comprehensive income	(160,111)	—	(160,111)	19,353	(140,758)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(33,972)	(3,906)	(37,878)	16,676	(21,202)
Total of other comprehensive income	($182,838)	($3,906)	($186,744)	$34,445	($152,299)

(21) 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	$120,124	$−
Adjustments in respect of current income tax of prior periods	4,507	(17,840)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(62,829)	99,561
Deferred income tax related to recognition and derecognition of tax losses and unused tax credits	18,800	(18,800)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	−	(5,261)
Total income tax expense	$80,602	$57,660

b. Income tax relating to components of other comprehensive income

	2019	2018
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statements of a foreign operation	($37,606)	($16,676)
Remeasurements of defined benefit plans	(1,513)	1,584
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	(646)	(19,353)
Income tax relating to components of other comprehensive income	($39,765)	($34,445)

c. 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	$610,811	$949,401
At statutory income tax rate	$122,162	$189,880
Tax effect of revenues exempt from taxation	(3,525)	56,864
Tax effect of expenses not deductible for tax purposes	−	(246,744)
Tax effect of deferred tax assets/liabilities	(55,037)	75,500
Corporate income surtax on undistributed retained earnings	12,495	−
Adjustments in respect of current income tax of prior periods	4,507	(17,840)
Total income tax expense recognized in profit or loss	$80,602	$57,660

d. 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	Ending balance as at 31 Dec. 2019
Temporary differences					
Allowance for losses on inventory	$32,048	$10,448	$—	$—	$42,496
Unrealized exchange (losses)	(13,589)	17,160	—	—	3,571
Share of profit (loss) of subsidiaries accounted for using the equity method	38,000	20,748	—	—	58,748
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	71,515	—	37,606	—	109,121
Depreciation difference for tax purpose	(1,534)	280	—	—	(1,254)
Accrued pension liability	18,504	(596)	1,513	—	19,421
Impairment losses	—	1,484	—	—	1,484
Other	42,021	13,305	646	—	55,972
Unused tax losses	18,800	(18,800)	—	—	—
Deferred tax income/(expense)		$44,029	$39,765	$—	
Net deferred tax assets/(liabilities)	$134,751				$218,545
Reflected in balance sheet as follows:					
Deferred tax assets	$221,236				$290,905
Deferred tax liabilities	($86,485)				($72,360)

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	Ending balance as at 31 December 2018
Temporary differences					
Allowance for losses on inventory	$20,930	$11,118	$—	—	32,048
Unrealized exchange (losses)	(6,728)	(6,861)	—	—	(13,589)
Share of profit (loss) of subsidiaries accounted for using the equity method	121,602	(83,602)	—	—	38,000
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	54,839	—	16,676	—	71,515
Depreciation difference for tax purpose	(1,492)	(42)	—	—	(1,534)
Accrued pension liability	25,123	(7,404)	(1,584)	2,369	18,504
Impairment losses	13,676	—	—	(13,676)	—
Others	30,177	(7,509)	19,353	—	42,021
Unused tax losses	—	18,800	—	—	18,800
Deferred tax (expense)/ income		($75,500)	$34,445	($21,958)	
Net deferred tax assets/(liabilities)	$197,764				$134,751
Reflected in balance sheet as follows:					
Deferred tax assets	$266,358				$221,236
Deferred tax liabilities	($68,594)				($86,485)

e. Unrecognized deferred tax assets

As of 31 December 2019 and 2018, deferred tax assets that have not been recognized amounted to $230,000 thousand and $270,000 thousand, respectively.

f. The assessment of income tax returns

As of 31 December 2019, the Company’s income tax returns for all the fiscal years up to 2015 have been assessed and approved by the R.O.C. tax authority.

(22) 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		
Net Income (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.

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 ASIA INTERNATIONAL INC.	Subsidiary
PAN JIT AMERICAS, INC.	Subsidiary
PAN-JIT INTERNATIONAL (H.K.) LTD.	Subsidiary
PAN JIT KOREA CO., LTD.	Subsidiary
PAN JIT EUROPE GMBH	Subsidiary
SUZHOU GRANDE ELECTRONICS CO., LTD.	Subsidiary
MAX-DIODE ELECTRONIC., LTD.(SHENZHEN)	Subsidiary
PAN JIT ELECTRONIC (WUXI) CO., LTD.	Subsidiary
PYNMAX TECHNOLOGY CO., LTD.	Subsidiary
MILDEX OPTICAL INC.	Other related parties
ZIBO MICRO COMMERCIAL COMPONENT CORP.	Other related parties
Fang Minqing and other 14 people	Deputy general manager of the Company above the management level

(1) Sales

	2019	2018
MAX-DIODE ELECTRONIC., LTD.(SHENZHEN)	$—	$99,392
SUZHOU GRANDE ELECTRONICS CO., LTD.	94,406	14,490
PAN JIT AMERICAS, INC.	109,240	116,788
PAN JIT ELECTRONIC (WUXI) CO., LTD.	604,003	587,739
Other	71,564	67,115
Total	$879,213	$885,524

The sales price to the related parties was determined through mutual agreement in reference to market conditions. The outstanding payment at the end of the year were not pledged, interest-free and subject to pay in cash.

(2) Purchase

	2019	2018
PAN JIT ELECTRONIC (WUXI) CO., LTD.	$1,193,482	$1,465,928
PYNMAX TECHNOLOGY CO., LTD.	346,428	467,554
Other	19,863	75,082
Total	$1,559,773	$2,008,564

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.

(3) Receivables -related parties

	31 Dec. 2019	31 Dec. 2018
PAN JIT ELECTRONIC (WUXI) CO., LTD.	$105,975	$177,504
Other	15,529	19,680
Total	$121,504	$197,184

(4) Other receivables -related parties

	31 Dec. 2019	31 Dec. 2018
PAN JIT ELECTRONIC (WUXI) CO., LTD.	$267	$68,699
Other	10	30
Total	$277	$68,729

(5) Payables - related parties

	31 Dec. 2019	31 Dec. 2018
PAN JIT ELECTRONIC (WUXI) CO., LTD.	$155,285	$347,564
PYNMAX TECHNOLOGY CO., LTD.	79,912	127,706
Other	5,095	14,260
Total	$240,292	$489,530

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

	31 Dec. 2019	31 Dec. 2018
PAN JIT EUROPE GMBH	$31,907	$38,971
Other	22,349	7,830
Total	$54,256	$46,801

(7) Sale of property, plant and equipment

2019:

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
PAN JIT ELECTRONIC (WUXI) CO., LTD.	Machinery	$32,066	$23,728	$8,338

2018:

Name of the related parties	Asset Name	Sales price	Book value	Gain (Losses)
PAN JIT ELECTRONIC (WUXI) CO., LTD.	Machinery	$71,658	$54,345	$17,313

(8) Purchase of property, plant and equipment

2019:

Name of the related parties	Asset Name	Sales price	Price basis
PYNMAX TECHNOLOGY CO., LTD.	Land and Buildings	$300,725	Real estate valuation report

2018: None

(9) Other

(1) Operating expenses

	2019	2018
a. Commission expense		
PAN JIT KOREA CO., LTD.	$37,851	$39,317
PAN JIT EUROPE GMBH	33,055	42,371
Total	$70,906	$81,688
b. Manage shipping warehouse expenses and collect payment		
PAN-JIT INTERNATIONAL (H.K.) LTD.	$30,380	$34,020
c. Other expenses		
PAN JIT AMERICAS, INC.	$19,545	$21,628

(2) Capital Finance (accounting other payables)

2019:None.

	2018				
	Maximum balance	Ending balance	Rate range	Interest expense	Interest payable
PYNMAX TECHNOLOGY CO., LTD	$250,000	$—	—	$940	$—

(2) Endorsement guarantee

The details of the endorsement guarantee provided by the Company for the loan of the subsidiary are as follows:

	2019	2018
PAN-JIT ASIA INTERNATIONAL INC.	$2,188,540	$2,242,195

(10) Key management personnel compensation

	2019	2018
Short-term employee benefits	$47,536	$44,959
Post-employment benefits	723	937
Total	$48,259	$45,896

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

8. Assets pledged as security

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

Items	31 Dec. 2019	31 Dec. 2018	Secured liabilities details
Property, plant and equipment	$1,105,098	$1,397,912	Long-term loans
Other current assets	14,390	3,993	Financial products trade
Total	$1,119,488	$1,401,905	

9. Commitments and contingencies

Both as at 31 December 2019 and 2018, the Company guaranteed a deposit for customs in the amount of $10,000 thousand.

10. Losses due to major disasters

None

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	$91,911	$426
Financial assets at fair value through other comprehensive income	164,833	151,632
Financial assets measured at amortized cost	1,884,339	2,416,253
Total	$2,141,083	$2,568,311

Financial liabilities

	31 Dec. 2019	31 Dec. 2018
Financial liabilities at amortized cost:		
Short-term loans	$1,989,732	$1,528,797
Note, trade and other payables	1,213,892	1,672,203
Long-term loans(including current portion)	2,450,978	2,187,079
Lease liabilities	6,954	(Note)
Subtotal	5,661,556	5,388,079
Financial liabilities at fair value through profit or loss:		
Held for trading	102	3,054
Total	$5,661,658	$5,391,133

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

(2) Financial risk management objectives and policies

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

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. 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 ($10,092) thousand and ($7,496)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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company'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 $41,990 thousand and $33,537 thousand, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company'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 Company 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 Company's senior management on a regular basis. The Company'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 Company'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 $16,483 thousand and $15,163 thousand on the equity attributable to the Company 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 Company 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 Company'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 Company'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 29% and 34%, respectively, of the total accounts receivables of the Company, 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 Company's treasury in accordance with the Company's policy. The Company 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 Company'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 Company'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	$2,970,037	$1,538,139	$48,495	$400	$4,557,071
Trade and other payables	$1,213,892	$—	$—	$—	$1,213,892
Lease liabilities	$6,613	$403	$—	$—	$7,016
As at 31 December 2018					
Loans	$2,162,467	$56,253	$1,653,149	$—	$3,871,869
Trade and other payables	$1,672,203	$—	$—	$—	$1,672,203

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	$901,573	$—	$—	$—	$901,573
Forward foreign exchange contracts—Outflows	($903,266)	$—	$—	$—	($903,266)

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	$1,528,797	$2,187,079	$14,078	$3,729,954
Cash flows	460,935	260,500	(8,410)	713,025
Non-cash changes	—	3,399	1,286	4,685
As at 31 Dec. 2019	$1,989,732	$2,450,978	$6,954	$4,447,664

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
As at 1 Jan. 2018	$639,520	$3,091,340	$3,730,860
Cash flows	889,277	(905,800)	(16,523)
Non-cash changes	—	1,539	1,539
As at 31 Dec. 2018	$1,528,797	$2,187,079	$3,715,876

(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 Company'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 Company.

(8) Derivatives

The Company'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 Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The paragraphs below list 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 Company 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 Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company'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				
Cross currency swap contracts	$—	$15	$—	$15
Stocks	$1,956	$—	$—	$1,956
Fund	$—	$89,940	$—	$89,940
Financial assets at fair value through other comprehensive income				
Stocks	$122,715	$42,118	$—	$164,833

	Level 1	Level 2	Level 3	Total
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				
Forward exchange contracts and cross currency swap contracts	$－	$426	$－	$426
Financial assets at fair value through other comprehensive income				
Stocks	$130,221	$21,411	$－	$151,632
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts and cross currency swap contracts	$－	$3,054	$－	$3,054

Transfers between Level 1 and Level 2 during the period

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

Details of changes in the third level at fair value on a recurring basic

The Company has no assets and liabilities that belong to the third level at fair value on a recurring basic

(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	$47,740	29.9800	$1,431,247
EUR	$2,213	33.5900	$74,333
Non-monetary items:			
USD	$172,130	29.9800	$5,160,446
Financial liabilities			
Monetary items:			
USD	$11,574	29.9800	$346,976

	31 December 2018		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$53,053	30.7150	$1,629,545
EUR	$4,487	35.2000	$157,944
Non-monetary items:			
USD	$153,427	30.7150	$4,712,514
Financial liabilities			
Monetary items:			
USD	$24,818	30.7150	$762,277

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

The Company'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 ($31,539) thousand and $69,822 thousand for the years ended 31 December 2019 and 2018, respectively.

(11)Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.