FineTek Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates of FineTek Co., Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FINETEK CO., LTD.

By

____
CHING-DE WU
Chairman

March 20, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FineTek Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of FineTek Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is described as follows:

The Group's sales to customer A for the year ended December 31, 2019 accounted for 11% of the consolidated operating revenue; and the consolidated operating revenue of the Group for the year ended December 31, 2019 increased by 1% compared with the previous year. Out of this amount, sales amounts from customers that were material and whose individual revenue growth rates exceeded the overall revenue growth rate accounted for approximately 8% of the consolidated total sales revenue. To meet shareholders' and external investors' expectations, the management of the Group may be under pressure to meet the profit target. Therefore, we assessed that the main risk of revenue recognition from the aforementioned group of customers is the validity of occurrence of the sales transactions from such customers, and identified this as the key audit matter. The accounting policies related to revenue recognition are disclosed in Note 4(m) to the consolidated financial statements.

The audit procedures that we performed in respect of the sales revenue from the aforementioned customers are as follows:

1. We understood the internal controls related to the sales revenue from the aforementioned customers for the year ended December 31, 2019, evaluated the design of the key controls and tested the operating effectiveness of the controls.

2. We obtained the list of the aforementioned customers for the year ended December 31, 2019 and assessed if their backgrounds, transaction amounts and credit limits granted were reasonable and consistent with their scale.

3. We selected samples of sales transactions from the aforementioned customers and checked the details of the external shipping documents to test whether there were any abnormalities between the situation and counterparties of receivables collection and the transaction terms. We also inspected if there were any significant sales returns and allowances after the reporting period in order to confirm the validity of occurrence of the sales revenue.

Other Matter

We have also audited the parent company only financial statements of FineTek Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung Chen Chen and Keng Hsi Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 601,468	36	$ 566,695	36
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	13,276	1	-	-
Notes receivable (Notes 4, 10 and 25)	31,370	2	41,047	3
Trade receivables (Notes 4, 5, 10 and 25)	159,151	10	151,876	9
Other receivables (Notes 4 and 10)	1,449	-	1,584	-
Current tax assets (Notes 4 and 27)	1,438	-	2,617	-
Inventories (Notes 4 and 11)	191,035	11	219,131	14
Other financial assets - current (Notes 4, 19 and 33)	68,730	4	11,458	1
Other current assets (Notes 3, 18 and 19)	6,153	-	7,397	-
Total current assets	1,074,070	64	1,001,805	63
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	15,000	1	-	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	26,912	2	12,289	1
Property, plant and equipment (Notes 4, 13 and 33)	443,376	26	467,540	29
Right-of-use assets (Notes 3, 4 and 14)	9,774	1	-	-
Investment properties (Notes 4 and 15)	11,556	1	-	-
Goodwill (Notes 4 and 16)	36,991	2	38,731	3
Other intangible assets (Notes 4 and 17)	36,701	2	43,912	3
Deferred tax assets (Notes 4 and 27)	25,576	1	19,864	1
Long-term prepayments for leases (Notes 3 and 18)	-	-	5,849	-
Other non-current assets (Notes 4, 19 and 23)	8,874	-	5,111	-
Total non-current assets	614,760	36	593,296	37
TOTAL	$ 1,688,830	100	$ 1,595,101	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 20)	$ 65,000	4	$ 3,837	-
Contract liabilities - current (Notes 4 and 25)	18,756	1	18,396	1
Notes payable (Note 21)	5,341	-	6,460	1
Trade payables (Note 21)	50,561	3	56,148	4
Other payables (Notes 22 and 29)	92,427	6	84,130	5
Current tax liabilities (Notes 4 and 27)	24,575	1	30,728	2
Lease liabilities - current (Notes 3, 4 and 14)	1,542	-	-	-
Current portion of long-term borrowings (Notes 4, 20 and 33)	-	-	1,318	-
Other current liabilities (Note 22)	2,288	-	627	-
Total current liabilities	260,490	15	201,644	13
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 27)	63,233	4	62,347	4
Lease liabilities - non-current (Notes 3, 4 and 14)	2,135	-	-	-
Guarantee deposits (Note 22)	1,324	-	1,077	-
Total non-current liabilities	66,692	4	63,424	4
Total liabilities	327,182	19	265,068	17
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)				
Share capital				
Ordinary shares	423,837	25	403,892	25
Capital surplus	319,889	19	319,889	20
Retained earnings				
Legal reserve	202,136	12	180,576	11
Special reserve	29,548	2	25,871	2
Unappropriated earnings	475,564	28	466,191	29
Other equity				
Exchange differences on translating foreign operations	(52,488)	(3)	(29,548)	(2)
Treasury shares	(36,973)	(2)	(36,973)	(2)
Total equity attributable to owners of the Company	1,361,513	81	1,329,898	83
NON-CONTROLLING INTERESTS (Note 24)	135	-	135	-
Total equity	1,361,648	81	1,330,033	83
TOTAL	$ 1,688,830	100	$ 1,595,101	100

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

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 32)	$ 1,109,808	100	$ 1,094,038	100
OPERATING COSTS (Notes 11 and 26)	470,963	43	470,951	43
GROSS PROFIT	638,845	57	623,087	57
OPERATING EXPENSES (Notes 4, 26 and 32)				
Selling and marketing expenses	221,351	20	219,710	20
General and administrative expenses	95,423	8	86,062	8
Research and development expenses	56,726	5	58,783	5
Expected credit loss reversed (Notes 4 and 10)	(3,064)	-	(1,781)	-
Total operating expenses	370,436	33	362,774	33
PROFIT FROM OPERATIONS	268,409	24	260,313	24
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 26)				
Other income	26,931	2	32,898	3
Other gains and losses (Note 32)	452	-	4,349	-
Finance costs (Notes 4 and 32)	(674)	-	(203)	-
Total non-operating income and expenses	26,709	2	37,044	3
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	295,118	26	297,357	27
INCOME TAX EXPENSE (Notes 4 and 27)	(81,124)	(7)	(81,756)	(7)
NET PROFIT FOR THE YEAR	213,994	19	215,601	20
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Notes 4 and 23)	129	-	(230)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 27)	(26)	-	122	-
	103	-	(108)	-

(Continued)

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 24)	$ (28,672)	(3)	$ (5,207)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 24 and 27)	5,735	1	1,530	-
	(22,937)	(2)	(3,677)	(1)
Other comprehensive loss for the year, net of income tax	(22,834)	(2)	(3,785)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 191,160	17	$ 211,816	19
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 214,009	19	$ 215,603	20
Non-controlling interests	(15)	-	(2)	-
	$ 213,994	19	$ 215,601	20
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 191,172	17	$ 211,818	19
Non-controlling interests	(12)	-	(2)	-
	$ 191,160	17	$ 211,816	19
EARNINGS PER SHARE (Note 28)				
Basic	$ 5.11		$ 5.10	
Diluted	$ 5.09		$ 5.08	

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

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Share Capital		Retained Earnings			Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 403,892	$ 319,889	$ 161,024	$ 19,659	$ 438,017	$ (25,871)	$ -	$ 1,316,610	$ -	$ 1,316,610
Appropriation of 2017 earnings (Note 24)										
Legal reserve	-	-	19,552	-	(19,552)	-	-	-	-	-
Special reserve	-	-	-	6,212	(6,212)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(161,557)	-	-	(161,557)	-	(161,557)
Net profit for the year ended December 31, 2018	-	-	-	-	215,603	-	-	215,603	(2)	215,601
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(108)	(3,677)	-	(3,785)	-	(3,785)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	215,495	(3,677)	-	211,818	(2)	211,816
Buy-back of ordinary shares (Note 24)	-	-	-	-	-	-	(36,973)	(36,973)	-	(36,973)
Change in non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	137	137
BALANCE AT DECEMBER 31, 2018	403,892	319,889	180,576	25,871	466,191	(29,548)	(36,973)	1,329,898	135	1,330,033
Appropriation of 2018 earnings (Note 24)										
Legal reserve	-	-	21,560	-	(21,560)	-	-	-	-	-
Special reserve	-	-	-	3,677	(3,677)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(159,557)	-	-	(159,557)	-	(159,557)
Share dividends distributed by the Company	19,945	-	-	-	(19,945)	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	214,009	-	-	214,009	(15)	213,994
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	103	(22,940)	-	(22,837)	3	(22,834)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	214,112	(22,940)	-	191,172	(12)	191,160
Change in non-controlling interests (Note 24)	-	-	-	-	-	-	-	-	12	12
BALANCE AT DECEMBER 31, 2019	$ 423,837	$ 319,889	$ 202,136	$ 29,548	$ 475,564	$ (52,488)	$ (36,973)	$ 1,361,513	$ 135	$ 1,361,648

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

FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 295,118	$ 297,357
Adjustments for:		
Depreciation expenses	37,730	34,513
Amortization expenses	10,201	11,427
Expected credit loss reversed on trade receivables	(3,064)	(1,781)
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(4,410)	-
Finance costs	674	203
Interest income	(10,706)	(9,209)
Dividend income	(372)	-
Loss (gain) on disposal of property, plant and equipment	355	(80)
Write-downs of non-financial assets	4,126	10,837
Net loss (gain) on foreign currency exchange	6,428	(4,047)
Amortization of prepayments for leases	-	182
Gain on lease modifications	(28)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(8,866)	1,286
Notes receivable	9,677	5,283
Trade receivables	(5,047)	7,395
Other receivables	530	(711)
Inventories	23,970	(14,198)
Other current assets	(129)	1,983
Other non-current assets	(301)	(281)
Contract liabilities	360	7,174
Notes payable	(1,119)	(317)
Trade payables	(5,587)	(7,472)
Other payables	8,559	10,469
Other current liabilities	1,661	192
Cash generated from operations	359,760	350,205
Interest received	10,303	9,039
Dividends received	372	-
Interest paid	(674)	(203)
Income tax paid	(85,276)	(59,947)
Net cash generated from operating activities	284,485	299,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(15,000)	-
Purchase of financial assets at amortized cost	(15,378)	-
Payments for property, plant and equipment	(29,318)	(32,423)
Proceeds from disposal of property, plant and equipment	2,639	1,336
Increase in refundable deposits	(1,093)	(3,130)

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FINETEK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Decrease in refundable deposits	$ -	$ 198
Payments for intangible assets	(4,007)	(6,981)
Increase in other financial assets	(57,272)	-
Decrease in other financial assets	-	49,048
Increase in prepayments for equipment	(2,559)	(304)
Net cash (used in) generated from investing activities	(121,988)	7,744
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	61,227	-
Repayments of short-term borrowings	-	(15,000)
Repayments of long-term borrowings	(1,295)	(1,843)
Proceeds of guarantee deposits received	303	1,012
Refunds of guarantee deposits received	-	(708)
Repayment of the principal portion of lease liabilities	(2,334)	-
Dividends paid to owners of the Company	(159,557)	(161,557)
Payments for buy-back of ordinary shares	-	(36,973)
Change in non-controlling interests	12	137
Net cash used in financing activities	(101,644)	(214,932)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(26,080)	777
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,773	92,683
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	566,695	474,012
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 601,468	$ 566,695

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

1. GENERAL INFORMATION

FineTek Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company's shares have been listed on the mainboard of the Taipei Exchange ("TPEx") since November 2014.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 20, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (the "Group"):

   - IFRS 16 "Leases"

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

     <u>Definition of a lease</u>

     The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets for impairment.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 5.43%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 5,783
Less: Recognition exemption for short-term leases	(792)
Undiscounted amounts on January 1, 2019	$ 4,991
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 4,673
Lease liabilities recognized on January 1, 2019	$ 4,673

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other current assets	$ 7,397	$ (1,373)	$ 6,204
Prepayments for leases - non-current	5,849	(5,849)	-
Right-of-use assets	-	11,895	11,895
Total effect on assets		$ 4,673	
Lease liabilities - current	-	$ 2,480	2,480
Lease liabilities - non-current	-	2,193	2,193
Total effect on liabilities		$ 4,673	

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses that the application of other standards and interpretations will not have any material impact on its financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Refer to Note 10 and Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, merchandise, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. The reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value. Dividends and interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, other receivables (not including tax refundable), other financial assets - current, financial assets at amortized - non-current and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables, other financial assets - current, financial assets at amortized cost - non-current and refundable deposits).

The Group always recognizes lifetime expected credit losses (ECLs) for notes receivable and trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transmitters, point switches and electronic terminals. Sales of transmitters, point switches and electronic terminals are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing product repair services to customers.

As the Group provides product repair services, customers simultaneously receive and consume the benefits provided by the Group's satisfaction of performance obligations. Consequently, the related revenue is recognized when services are rendered.

n. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

o. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs, including current service costs, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Any previously unrecognized deferred tax asset are also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 2,023	$ 1,161
Checking accounts	1,699	1,774
Demand deposits	206,628	305,759
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	391,118	258,001
	$ 601,468	$ 566,695

The market rate ranges of bank deposits at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank demand deposits and time deposits	0.001%-2.70%	0.001%-4.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 13,276	$ -

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Investments in equity instruments		
Unlisted shares - Ordinary shares		
Ultracker Technology Co., Ltd.	$ 15,000	$ -

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In December 2019, the Group acquired 1,250 thousand ordinary shares of Ultracker Technology Co., Ltd. which amounted to $15,000 thousand for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Non-current		
Foreign investments		
Corporate bonds - Deutsche Bank	$ 20,922	$ 6,153
Corporate bonds - Société Générale	5,990	6,136
	$ 26,912	$ 12,289

a. The Group's investments in bonds issued by Deutsche Bank were as follows:

	December 31	
	2019	2018
Total book value	$ 20,922	$ 6,153
Total par value (in thousands of U.S. dollars)	$ 700	$ 200
Coupon rate	4.50%	4.50%
Effective interest rate	4.47%-4.61%	4.47%
Holding period	2015.10.21-2025.04.01	2015.10.21-2025.04.01

b. The Group's investments in bonds issued by Société Générale were as follows:

	December 31	
	2019	2018
Total book value	$ 5,990	$ 6,136
Total par value (in thousands of U.S. dollars)	$ 200	$ 200
Coupon rate	4.25%	4.25%
Effective interest rate	4.27%	4.27%
Holding period	2015.10.21-2025.4.14	2015.10.21-2025.4.14

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date. As of December 31, 2019 and 2018, the Group assessed that there is no need to recognize expected credit losses on debt investments.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 31,370	$ 41,047
Less: Allowance for impairment loss	-	-
	$ 31,370	$ 41,047
Notes receivable - operating	$ 31,370	$ 41,047
Trade receivables		
At amortized cost		
Gross carrying amount	$ 161,892	$ 158,160
Less: Allowance for impairment loss	(2,741)	(6,284)
	$ 159,151	$ 151,876
Other receivables		
Interest receivables	$ 1,034	$ 642
Tax refund receivable	-	603
Others	415	339
	$ 1,449	$ 1,584
Overdue receivables		
At amortized cost		
Gross carrying amount	$ 2,194	$ 1,606
Less: Allowance for impairment loss	(2,194)	(1,606)
	$ -	$ -

a. Notes receivable

The Group's average cashing period of notes receivable was 0-180 days.

The Group measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. The lifetime expected credit losses on notes receivable takes into consideration the past default experience of the debtor and general economic conditions of the industry. As of December 31, 2019 and 2018, the Group assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of receivables was as follows:

	December 31	
	2019	2018
Up to 90 days	$ 23,954	$ 29,320
91 to 180 days	7,416	11,503
181 to 270 days	-	224
	$ 31,370	$ 41,047

The above aging schedule was based on the number of past due days from the invoice date.

b. Trade receivables

The average credit period of sales of goods was 0-150 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables (including overdue receivables) based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.08%-1.66%	1.14%-3.52%	8.56%-14.98%	29.60%-34.50%	57.67%-90.59%	100%	
Gross carrying amount	$ 133,065	$ 22,732	$ 3,465	$ 1,110	$ 388	$ 3,326	$ 164,086
Loss allowance (Lifetime ECL)	(448)	(356)	(242)	(367)	(196)	(3,326)	(4,935)
Amortized cost	$ 132,617	$ 22,376	$ 3,223	$ 743	$ 192	$ -	$ 159,151

December 31, 2018

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.17%-3.85%	1.40%-8.98%	6.60%-28.05%	28.03%-50.70%	54.28%-86.80%	100%	
Gross carrying amount	$ 122,345	$ 27,778	$ 2,143	$ 3,200	$ 244	$ 4,056	$ 159,766
Loss allowance (Lifetime ECL)	(1,366)	(948)	(309)	(1,043)	(168)	(4,056)	(7,890)
Amortized cost	$ 120,979	$ 26,830	$ 1,834	$ 2,157	$ 76	$ -	$ 151,876

The movements of the loss allowance of trade receivables (including overdue receivables) were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 7,890	$ 10,987
Add: Amounts recovered	236	-
Less: Amounts written off	(38)	(1,274)
Less: Net remeasurement of loss allowance	(3,064)	(1,781)
Foreign exchange gains and losses	(89)	(42)
Balance at December 31	$ 4,935	$ 7,890

c. Other receivables

Other receivables mainly consist of interest receivables and tax refund receivables, and the Group's policy is to transact only with creditworthy counterparties. The Group continuously monitors and makes reference to the past default experience of counterparties and analyzes their current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2019 and 2018, the Group assessed that there is no need to recognize expected credit loss on other receivables.

11. INVENTORIES

	December 31	
	2019	2018
Merchandise inventory	$ 3,983	$ 6,792
Finished goods	116,779	126,848
Work-in-progress	16,809	18,915
Raw materials	53,464	66,576
	$ 191,035	$ 219,131

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $470,963 thousand and $470,951 thousand, respectively. The cost of goods sold included inventory write-downs of $4,126 thousand and $10,837 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	Remark
FineTek Co., Ltd.	Powerline Corp. (SAMOA)	Investment	100.00	100.00	Notes 1 and 3
	Golden Land International Corp. (SAMOA)	Investment	100.00	100.00	Note 1
	Gain Access Investment Ltd.	Investment	100.00	100.00	Notes 1 and 4
	PT. Finetek Automation Indonesia	Manufactures and sells transmitters, point switches and electronic terminals	99.65	99.65	Notes 1 and 5
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	100.00	-	Notes 1 and 6
Golden Land International Corp. (SAMOA)	Aplus Finetek Sensor Inc.	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1
Gain Access Investments Ltd.	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	-	90.00	Notes 1 and 6
Powerline Corp. (SAMOA)	Faco International Co., Ltd.	Investment	100.00	100.00	Notes 1 and 3
Faco International Co., Ltd.	Fine Automation Co., Ltd.	Designs, manufactures and sells transmitters, point switches and electronic terminals	100.00	100.00	Notes 2 and 3
	Finetek Pte., Ltd.	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	-	10.00	Notes 1 and 6
Finetek GmbH	Mutec Instruments GmbH	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1

Note 1: The main operating risk is foreign exchange rate risk.

Note 2: The main operating risks are government policies, political issues between China and Taiwan, and foreign exchange rate risk.

Note 3: In December 2019, the subsidiary Fine Automation Co., Ltd. distributed retained earnings of RMB10,699 thousand (NT$45,889 thousand) to its parent company, Faco International Co., Ltd., and distributed retained earnings to the Company through Faco International Co., Ltd. and Powerline Corp.

Note 4: In September 2019, Gain Access Investments Ltd.'s board of directors decided to reduce its capital in cash of US$1,875 thousand (NT$58,059 thousand).

Note 5: In December 2017, the Company's board of directors decided to invest in PT. Finetek Automation Indonesia. During the year 2019, the Company invested US$109 thousand (NT$3,330 thousand). As of December 31, 2019, the Company invested the amount of US$1,396 thousand (NT$42,328 thousand).

Note 6: On May 10, 2019, the Company's board of directors decided to undergo a reorganization of the Group's structure, and purchased 90% and 10% of Finetek GmbH from its subsidiary Gain Access Investments Ltd. and its second-tier subsidiary Faco International Co., Ltd. with US$3,716 thousand and US$413 thousand (NT$115,786 thousand and NT$12,869 thousand), respectively; and the transaction was completed on May 14, 2019. After reorganization of the Group structure, Finetek GmbH became a wholly-owned subsidiary of the Company.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	$ 424,401
Assets leased under operating leases	18,975
	$ 443,376

a. Assets used by the Group - 2019

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2019	$ 151,875	$ 359,692	$ 58,351	$ 21,218	$ 15,964	$ 18,127	$ 41,946	$ 18,847	$ 686,020
Additions	2,962	8,880	2,784	4,864	2,869	2,676	1,086	2,935	29,056
Disposals	-	(1,299)	(675)	(4,298)	(364)	(623)	(64)	-	(7,323)
Reclassified (Note)	19,556	-	-	-	-	145	174	(19,556)	319
Transfers to assets leased under operating leases	-	(12,114)	-	-	-	-	-	-	(12,114)
Transfers to investment properties	-	(22,466)	-	-	-	-	-	-	(22,466)
Effects of foreign currency exchange differences	(756)	(4,934)	(424)	(407)	(443)	-	(340)	669	(6,635)
Balance at December 31, 2019	$ 173,637	$ 327,759	$ 60,036	$ 21,377	$ 18,026	$ 20,325	$ 42,802	$ 2,895	$ 666,857
Accumulated depreciation and impairment									
Balance at January 1, 2019	$ -	$ 117,543	$ 37,564	$ 16,333	$ 13,797	$ 16,362	$ 32,058	$ -	$ 233,657
Disposals	-	(453)	(633)	(2,771)	(364)	(46)	(62)	-	(4,329)
Depreciation expenses	-	12,726	8,918	1,870	1,647	2,121	4,412	-	31,694
Transfers to assets leased under operating leases	-	(5,799)	-	-	-	-	-	-	(5,799)
Transfers to investment properties	-	(9,339)	-	-	-	-	-	-	(9,339)
Effects of foreign currency exchange differences	-	(2,291)	(288)	(248)	(374)	-	(227)	-	(3,428)
Balance at December 31, 2019	$ -	$ 112,387	$ 45,561	$ 15,184	$ 14,706	$ 18,437	$ 36,181	$ -	$ 242,456
Carrying amounts at December 31, 2019	$ 173,637	$ 215,372	$ 14,475	$ 6,193	$ 3,320	$ 1,888	$ 6,621	$ 2,895	$ 424,401

Note: Transferred from prepayments for equipment.

For the years ended December 31, 2019, no impairment assessment was performed as there were no indications of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	33-35 years
Auxiliary equipment	2-20 years
Machinery and equipment	1-10 years
Transportation	3-5 years
Office equipment	1-5 years
Molding equipment	1-4 years
Other equipment	1-10 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 33.

b. Assets leased under operating leases - 2019

	Buildings
Cost	
Balance at January 1, 2019	$ 29,299
Transfers from assets used by the Group	12,114
Effects of foreign currency exchange differences	(1,663)
Balance at December 31, 2019	$ 39,750
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 14,122
Transfers from assets used by the Group	5,799
Depreciation expenses	1,725
Effects of foreign currency exchange differences	(871)
Balance at December 31, 2019	$ 20,775
Carrying amounts at December 31, 2019	$ 18,975
Carrying amounts at December 31, 2018 and January 1, 2019	$ 15,177

For the year ended December 31, 2019, no impairment assessment was performed as there were no indications of impairment.

Operating leases relate to leases of buildings with lease terms between 1 and 5 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	$ 5,626
Year 2	6,585
Year 3	5,073
Year 4	3,611
Year 5	2,215
	$ 23,110

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20 years

c. 2018

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2018	$ 151,978	$ 388,585	$ 59,603	$ 21,095	$ 17,541	$ 16,749	$ 36,605	$ -	$ 692,156
Additions	-	193	4,537	1,585	834	1,735	4,000	18,847	31,731
Disposals	-	-	(2,291)	(1,379)	(959)	(357)	(761)	-	(5,747)
Reclassified (Note)	-	3,161	(3,342)	-	(1,297)	-	2,237	-	759
Effects of foreign currency exchange differences	(103)	(2,948)	(156)	(83)	(155)	-	(135)	-	(3,580)
Balance at December 31, 2018	$ 151,875	$ 388,991	$ 58,351	$ 21,218	$ 15,964	$ 18,127	$ 41,946	$ 18,847	$ 715,319
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ -	$ 114,845	$ 31,958	$ 15,571	$ 14,173	$ 14,230	$ 28,674	$ -	$ 219,451
Disposals	-	-	(1,795)	(1,375)	(952)	(30)	(339)	-	(4,491)
Depreciation expenses	-	16,069	8,823	2,224	1,925	2,162	3,310	-	34,513
Reclassified	-	2,009	(1,301)	-	(1,206)	-	498	-	-
Effects of foreign currency exchange differences	-	(1,258)	(121)	(87)	(143)	-	(85)	-	(1,694)
Balance at December 31, 2018	$ -	$ 131,665	$ 37,564	$ 16,333	$ 13,797	$ 16,362	$ 32,058	$ -	$ 247,779
Carrying amounts at December 31, 2018	$ 151,875	$ 257,326	$ 20,787	$ 4,885	$ 2,167	$ 1,765	$ 9,888	$ 18,847	$ 467,540

Note: Transferred from prepayments for equipment.

For the year ended December 31, 2018, no impairment assessment was performed as there were no indications of impairment.

Operating leases relate to leases of buildings with lease terms between 3 and 5 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating leases are as follows:

	December 31, 2018
Not later than 1 year	$ 7,858
Later than 1 year and not later than 5 years	24,488
	$ 32,346

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	33-35 years
Auxiliary equipment	2-20 years
Machinery and equipment	1-10 years
Transportation	3-5 years
Office equipment	1-5 years
Molding equipment	1-4 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land use rights (Note)	$ 5,616
Buildings	3,825
Transportation	333
	$ 9,774

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 3,482
Depreciation charge for right-of-use assets	
Land use rights	$ 179
Buildings	2,294
Transportation	763
	$ 3,236

Note: Right-of-use assets - land comprises land use rights in mainland China. The Group has obtained the land use right certificates.

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 1,542
Non-current	$ 2,135

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.20%-8.50%
Transportation	1.21%

c. Material lease-in activities and terms

The Group leases buildings and transportation equipment with lease terms of 1 to 3 years. These arrangements do not contain renewal or purchase options.

The Group’s land use rights are depreciated over 50 years.

d. Other lease information

Lease arrangements for the leasing out of buildings under operating leases are set out in Note 13.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 3,898
Total cash outflow for leases	$ (6,409)

The Group leases certain offices under leases which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was $1,570 thousand as of December 31, 2019.

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31, 2019
Lease commitments	$ 3,322

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 3,476
Later than 1 year and not later than 5 years	2,307
	$ 5,783

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 5,538

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31, 2018
Lease commitments	$ 312

15. INVESTMENT PROPERTIES

	Buildings
Cost	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	22,466
Effects of foreign currency exchange differences	(926)
Balance at December 31, 2019	$ 21,540
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	9,339
Depreciation expenses	1,075
Effects of foreign currency exchange differences	(430)
Balance at December 31, 2019	$ 9,984
Carrying amounts at December 31, 2019	$ 11,556

The investment properties were leased out for 3 years, with an option to extend. The lessees do not have bargain purchase options to acquire the investment properties at the end of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 1,527
Year 2	662
Year 3	451
	$ 2,640

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Group follows its general risk management strategy.

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	
Main buildings	20 years

The fair values of investment properties were not assessed by independent appraisers, but were assessed by the Group's management with reference to the current lease arrangements and market evidence of transaction prices of properties in the vicinity. The fair values were appraised as follows:

	December 31, 2019
Fair value	$ 31,057

16. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 38,731	$ 39,078
Effect of foreign currency exchange differences	(1,740)	(347)
Balance at December 31	$ 36,991	$ 38,731

For the years ended December 31, 2019 and 2018, no impairment assessment was performed as there were no indications of impairment on goodwill.

17. OTHER INTANGIBLE ASSETS

	Computer Software	Licenses and Franchises	Specialized Technology	Total
Cost				
Balance at January 1, 2018	$ 34,229	$ 750	$ 31,159	$ 66,138
Additions	6,981	-	-	6,981
Disposals	(165)	-	-	(165)
Effects of foreign currency exchange differences	(13)	-	(324)	(337)
Balance at December 31, 2018	$ 41,032	$ 750	$ 30,835	$ 72,617
Accumulated amortization and impairment				
Balance at January 1, 2018	$ 13,808	$ 86	$ 3,634	$ 17,528
Amortization expenses	8,282	24	3,121	11,427
Disposals	(165)	-	-	(165)
Effects of foreign currency exchange differences	(12)	-	(73)	(85)
Balance at December 31, 2018	$ 21,913	$ 110	$ 6,682	$ 28,705
Carrying amount at December 31, 2018	$ 19,119	$ 640	$ 24,153	$ 43,912

(Continued)

	Computer Software	Licenses and Franchises	Specialized Technology	Total
Cost				
Balance at January 1, 2019	$ 41,032	$ 750	$ 30,835	$ 72,617
Additions	4,007	-	-	4,007
Disposals	(1,760)	-	-	(1,760)
Effects of foreign currency exchange differences	(58)	-	(1,410)	(1,468)
Balance at December 31, 2019	$ 43,221	$ 750	$ 29,425	$ 73,396
Accumulated amortization and impairment				
Balance at January 1, 2019	$ 21,913	$ 110	$ 6,682	$ 28,705
Amortization expenses	7,143	26	3,032	10,201
Disposals	(1,760)	-	-	(1,760)
Effects of foreign currency exchange differences	(55)	-	(396)	(451)
Balance at December 31, 2019	$ 27,241	$ 136	$ 9,318	$ 36,695
Carrying amount at December 31, 2019	$ 15,980	$ 614	$ 20,107	$ 36,701

(Concluded)

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Licenses and franchises	29 years
Specialized technology	10 years

An analysis of amortization by function:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 1,221	$ 1,410
Selling and marketing expenses	4,258	4,683
General and administrative expenses	3,607	3,814
Research and development expenses	1,115	1,520
	$ 10,201	$ 11,427

18. PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Current assets (included in prepayments)	$ -	$ 1,373
Non-current assets	-	5,849
	$ -	$ 7,222

Prepayments for leases comprises land use rights in mainland China. The Group has obtained the land use right certificates.

19. OTHER ASSETS

	December 31	
	2019	2018
Other financial assets - current (Note)		
Time deposit with original maturities of more than 3 months	$ 66,026	$ -
Pledged bank deposits (Note 33)	2,704	11,458
	$ 68,730	$ 11,458
Current		
Prepayments	$ 5,754	$ 3,997
Prepayments for leases	-	1,373
Others	399	2,027
	$ 6,153	$ 7,397
Non-current		
Prepayments for equipment	$ 2,559	$ 319
Refundable deposits (Note)	5,320	4,227
Net defined benefit assets (Note 23)	995	565
	$ 8,874	$ 5,111

Note: The Group considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on other financial assets and refundable deposits. As of December 31, 2019 and 2018, the Group has no need to recognize expected credit loss on other financial assets and refundable deposits.

The market rate interval of time deposits with original maturities of more than 3 months was 1.98%-2.70% per annum as of December 31, 2019.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings (Note)	$ 65,000	$ 3,837

Note: The interest rates on the line of credit borrowings was 1.20%-1.21% and 1.40% per annum as of December 31, 2019 and 2018, respectively.

b. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Bank loans (Note)	$ -	$ 1,318
Less: Current portions	-	(1,318)
Long-term borrowings	$ -	$ -

Note: The Group used land and buildings as collateral to acquire a loan from the bank (Note 33). The loan's maturity date was September 30, 2019 and the interest rate was 5.21% over a 17-year period.

21. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2019	2018
Notes payable		
Operating	$ 5,341	$ 6,460
Trade payables		
Operating	$ 50,561	$ 56,148

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Payables for salaries and bonuses	$ 51,111	$ 45,264
Payables for employee compensation	9,000	9,000
Payables for remuneration of directors and supervisors	8,000	4,320
Payables for sales tax	7,251	5,351
Payables for labor and health insurance	3,463	3,439
Payables for retirement	1,876	1,906
Payables for annual leave	366	292
Payables for purchase of equipment (Note 29)	184	446
Others	11,176	14,112
	$ 92,427	$ 84,130
Other liabilities		
Advance lease receipts	$ 1,797	$ -
Receipts under custody	491	627
	$ 2,288	$ 627
Non-current		
Guarantee deposits	$ 1,324	$ 1,077

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. An entity makes monthly contributions by other group entities are based on local laws.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 5,259	$ 5,014
Fair value of plan assets	(6,254)	(5,579)
Net defined benefit assets	$ (995)	$ (565)

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 4,490	$ (5,360)	$ (870)
Service costs			
Current service costs	87	-	87
Net interest expense (income)	61	(73)	(12)
Recognized in profit or loss	148	(73)	75
Remeasurement			
Return on plan assets	-	(146)	(146)
Actuarial loss - changes in financial assumptions	69	-	69
Actuarial loss - experience adjustments	307	-	307
Recognized in other comprehensive income	376	(146)	230
Balance at December 31, 2018	5,014	(5,579)	(565)
Service costs			
Current service costs	126	-	126
Net interest expense (income)	63	(70)	(7)
Recognized in profit or loss	189	(70)	119
Remeasurement			
Return on plan assets	-	(185)	(185)
Actuarial loss - changes in financial assumptions	56	-	56
Recognized in other comprehensive income	56	(185)	(129)
Contributions from the employer	-	(420)	(420)
Balance at December 31, 2019	$ 5,259	$ (6,254)	$ (995)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ -	$ -
General and administrative expenses	119	75
	$ 119	$ 75

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate(s)	1.00%	1.25%
Expected rate(s) of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (156)	$ (169)
0.25% decrease	$ 173	$ 177
Expected rate(s) of salary increase		
1% increase	$ 719	$ 739
1% decrease	$ (614)	$ (632)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 480	$ -
The average duration of the defined benefit obligation	14 years	14 years

24. EQUITY

a. Share capital

Ordinary shares	December 31 2019	2018
Number of shares authorized (in thousands)	62,000	62,000
Shares authorized	$ 620,000	$ 620,000
Number of shares issued and fully paid (in thousands)	42,384	40,389
Shares issued	$ 423,837	$ 403,892

In the shareholders' meeting on June 10, 2019, the Company's shareholders approved the transfer of retained earnings of $19,945 thousand to issue 1,994,461 new shares with a par value of NT$10. The above transaction was approved by the FSC on July 29, 2019, and the subscription base date September 3, 2019 was determined on August 12, 2019 by the Company's board of directors.

b. Capital surplus

	December 31 2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Premium from issuance of ordinary shares	$ 316,818	$ 316,818
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34	34
May be used to offset a deficit only		
Arising from invalid employee share options	3,037	3,037
	$ 319,889	$ 319,889

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to compensation and remuneration of directors and supervisors in Note 26 (f).

In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

10% of the retained earnings after tax should be appropriated as a legal reserve until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" shall be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for the 2018 and 2017 which were approved in the shareholders' meetings on June 10, 2019 and June 19, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 21,560	$ 19,552	$ -	$ -
Special reserve	3,677	6,212	-	-
Cash dividends	159,557	161,557	4.0	4.0
Share dividends	19,945	-	0.5	-

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 20, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 21,411	$ -
Special reserve	22,940	-
Cash dividends	167,535	4.0

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 15, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 25,871	$ 19,659
Appropriation in respect of:		
Reversal of the debit to other equity items	3,677	6,212
Balance at December 31	$ 29,548	$ 25,871

e. Other equity items

Exchange differences on translating the financial statements for foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (29,548)	$ (25,871)
Effect of change in tax rate	-	488
Recognized for the year		
Exchange differences on translating foreign operations	(28,675)	(5,207)
Income tax related to exchange differences arising on translation to the presentation currency	5,735	1,042
Balance at December 31	$ (52,488)	$ (29,548)

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 135	$ -
Share in loss for the year	(15)	(2)
Non-controlling interests from establishment and capital increase in subsidiaries	12	137
Exchange differences on translating the financial statements of foreign operations	3	-
Balance at December 31	$ 135	$ 135

g. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2019	500
Number of shares at December 31, 2019	500
Number of shares at January 1, 2018	-
Increase during the year	500
Number of shares at December 31, 2018	500

For the purpose of transferring shares to employees, the Company bought back approximately 500 thousand shares from the open market amounting to $36,973 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

25. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 1,106,528	$ 1,091,556
Revenue from rendering of services	3,280	2,482
	$ 1,109,808	$ 1,094,038

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable (Note 10)	$ 31,370	$ 41,047	$ 46,330
Trade receivables (Note 10)	159,151	151,876	156,905
	$ 190,521	$ 192,923	$ 203,235
Contract liabilities - current			
Sales of goods	$ 18,756	$ 18,396	$ 11,222

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	$ 16,455	$ 9,891

b. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Product categories		
Process automated sensor development	$ 956,760	$ 947,965
Pneumatic control system	84,604	80,568
Others	68,444	65,505
Sale of goods	$ 1,109,808	$ 1,094,038

26. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income		
Other operating leases (Notes 13 and 15)	$ 6,558	$ 6,452
Interest income	10,706	9,209
Dividends	372	-
Government grant income	5,826	14,817
Others	3,469	2,420
	$ 26,931	$ 32,898

b. Other gains and (losses)

	For the Year Ended December 31	
	2019	2018
(Loss) gain on disposal of property, plant and equipment	$ (355)	$ 80
Net foreign exchange losses	(7,914)	(470)
Fair value changes of financial assets		
Financial assets mandatorily classified as at FVTPL	4,410	-
Receipts of payments under custody	4,863	5,046
Gain on lease modifications	28	-
Others	(580)	(307)
	$ 452	$ 4,349

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 497	$ 203
Interest on lease liabilities (Note 32)	177	-
	$ 674	$ 203

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 20,963	$ 20,272
Operating expenses	16,767	14,241
	$ 37,730	$ 34,513
An analysis of amortization by function		
Operating costs	$ 1,221	$ 1,410
Operating expenses	8,980	10,017
	$ 10,201	$ 11,427

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 269,644	$ 258,506
Post-employment benefits		
Defined contribution plan	17,071	17,100
Defined benefit plans (Note 23)	119	75
Other employee benefits	45,473	44,353
Total employee benefits expense	$ 332,307	$ 320,034
An analysis of employee benefits expense by function		
Operating costs	$ 109,321	$ 110,190
Operating expenses	222,986	209,844
	$ 332,307	$ 320,034

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 20, 2020 and March 15, 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	3.24%	3.15%
Remuneration of directors and supervisors (Note)	2.88%	1.51%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 9,000	$ -	$ 9,000	$ -
Remuneration of directors and supervisors (Note)	8,000	-	4,320	-

Note: In the shareholders' meeting on June 10, 2019, the Company's shareholders approved the substitution of the audit committee for supervisors.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 8,139	$ 17,582
Foreign exchange losses	(16,053)	(18,052)
Net foreign exchange losses	$ (7,914)	$ (470)

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 75,383	$ 63,416
Income tax on unappropriated earnings	168	795
Adjustments for prior years	4,751	4,088
	80,302	68,299
Deferred tax		
In respect of the current period	822	7,207
Adjustments to deferred tax attributable to changes in tax rates and laws	-	6,250
	822	13,457
Income tax expense recognized in profit or loss	$ 81,124	$ 81,756

A reconciliation of the accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 295,118	$ 297,357
Income tax expense calculated at the statutory rate	$ 83,614	$ 75,728
Nondeductible expenses in determining taxable income	(1,421)	139
Tax-exempt income	(235)	2
Income tax on unappropriated earnings	168	795
Deferred tax effect of earnings of subsidiaries	(4,471)	(4,205)
Adjustments for prior years' tax	4,751	4,088
Effect of tax rate change	-	6,250
Investment credits	(1,282)	(1,041)
Income tax expense recognized in profit or loss	$ 81,124	$ 81,756

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

The subsidiaries of the Group in China received approval for their application for "high-tech enterprises". In accordance with the second paragraph of Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", high-tech enterprises that need to be supported by the state are subject to a preferential tax rate of 15%. Thus, the applicable tax rate used by subsidiaries in China was the preferential tax rate of 15% from 2017 to 2018; and since 2019, the general tax rate of 25% was applicable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
In respect of the current period		
Translation of foreign operations	$ (5,735)	$ (1,042)
Remeasurement of defined benefit plans	26	(46)
	(5,709)	(1,088)
Effect of change in tax rate		
Translation of foreign operation	-	(488)
Remeasurement of defined benefit plans	-	(76)
	-	(564)
Total income tax recognized in other comprehensive income	$ (5,709)	$ (1,652)

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 1,438	$ 2,617
Current tax liabilities		
Income tax payables	$ 24,575	$ 30,728

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	$ 4,299	$ -	$ 5,735	$ -	$ 10,034
Defined benefit plans	553	(60)	(26)	-	467
Unrealized gains on transaction with associates	4,909	(1,749)	-	-	3,160
Payables for annual leave	58	15	-	-	73
Allowance for impaired receivables	1,213	(550)	-	(14)	649
Unrealized losses on write-down of inventories	8,826	1,553	-	(47)	10,332
Others	6	855	-	-	861
	$ 19,864	$ 64	$ 5,709	$ (61)	$ 25,576
Deferred tax liabilities					
Temporary differences					
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	$ 61,926	$ 1,254	$ -	$ -	$ 63,180
Others	421	(368)	-	-	53
	$ 62,347	$ 886	$ -	$ -	$ 63,233

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	$ 2,769	$ -	$ 1,530	$ -	$ 4,299
Defined benefit plans	431	-	122	-	553
Unrealized gains on transaction with associates	2,785	2,124	-	-	4,909
Payables for annual leave	55	3	-	-	58
Allowance for impaired receivables	1,346	(124)	-	(9)	1,213
Unrealized losses on write-down of inventories	5,921	2,925	-	(20)	8,826
Others	412	(406)	-	-	6
	$ 13,719	$ 4,522	$ 1,652	$ (29)	$ 19,864

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	$ 44,296	$ 17,630	$ -	$ -	$ 61,926
Others	72	349	-	-	421
	$ 44,368	$ 17,979	$ -	$ -	$ 62,347

(Concluded)

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were $141,286 thousand and $132,698 thousand, respectively.

f. Income tax assessments

The tax returns through 2017 have been assessed by the tax authorities. As of December 31, 2019, the Group has no unsettled lawsuits in relation to tax.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2019	2018
Basic earnings per share	$ 5.11	$ 5.10
Diluted earnings per share	$ 5.09	$ 5.08

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 3, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 5.35	$ 5.10
Diluted earnings per share	$ 5.33	$ 5.08

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the year

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	$ 214,009	$ 215,603

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	41,884	42,306
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	123	138
Weighted average number of ordinary shares used in the computation of diluted earnings per share	42,007	42,444

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2019 and 2018, the unsettled payments for the acquisition of property, plant and equipment were $184 thousand and $446 thousand, respectively, which were recorded as other payables in the consolidated financial statements.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	Exchange Rate Impact	New Leases	Lease Modifications	Closing Balance
Short-term borrowings	$ 3,837	$ 61,227	$ (64)	$ -	$ -	$ 65,000
Long-term borrowings (including those due in one year)	1,318	(1,295)	(23)	-	-	-
Lease liabilities (Note 3)	4,673	(2,334)	(88)	3,482	(2,056)	3,677
Guarantee deposits	1,077	303	(56)	-	-	1,324
	$ 10,905	$ 57,901	$ (231)	$ 3,482	$ (2,056)	$ 70,001

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes Exchange Rate Impact	Closing Balance
Short-term borrowings	$ 18,877	$ (15,000)	$ (40)	$ 3,837
Long-term borrowings (including those due in one year)	3,173	(1,843)	(12)	1,318
Guarantee deposits	793	304	(20)	1,077
	$ 22,843	$ (16,539)	$ (72)	$ 6,232

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of new debt issued and existing debt redeemed.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Foreign corporate bonds	$ 26,912	$ -	$ 26,933	$ -	$ 26,933

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Foreign corporate bonds	$ 12,289	$ -	$ 12,713	$ -	$ 12,713

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with the income approach based on a discounted cash flow analysis.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 13,276	$ -	$ -	$ 13,276
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 15,000	$ 15,000

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1,2019	$ -
Purchases	15,000
Balance at December 31,2019	$ 15,000

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity securities were assessed using a combination of the market and income approaches. In the market approach, the price multipliers of other similar companies trading on the active market are used as reference for determination of the fair value. In the income approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

The significant unobservable inputs used are as follows:

The value of the investee evaluated by the market approach was relatively lower than that of the equity with control due to the lack of control ability, so 33.33% was listed as the basis for non-control reduction. In addition, the equity was considered to be less liquid in the securities market than the comparable company, so the liquidity discount was 25%.

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 13,276	$ -
Financial assets at FVTOCI	15,000	-
Financial assets at amortized cost (1)	894,400	788,573
Financial liabilities		
Financial liabilities at amortized cost (2)	133,586	83,398

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables (except for tax refund receivable), other financial assets - current, financial assets at amortized cost - non-current and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors and supervisors payable, labor and health insurance payable, taxes payable, payable for retirement and payable for annual leaves), long-term loans (including those due in one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Group’s major financial instruments include cash and cash equivalents, trade receivables, trade payables, lease liabilities and borrowings. The Group’s corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group’s financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates risk (see (a) below), interest rates risk (see (b) below), and other prices risk (see (c) below).

There had been no changes to the Group’s exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Group was mainly exposed to fluctuations in the USD and the RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of several subsidiaries of the Group against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the functional currency of several subsidiaries of the Group weakens 5% against the relevant currency. For a 5% strengthening of the functional currency of several subsidiaries of the Group against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 6,793	$ 4,168	$ 6,486	$ 6,329

The profit (loss) above was mainly attributable to the exposure on outstanding USD and RMB bank deposits, receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly because of an increase in USD bank deposits.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 486,760	$ 281,748
Financial liabilities	3,677	1,318
Cash flow interest rate risk		
Financial assets	206,628	305,759
Financial liabilities	65,000	3,837

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been a 1% basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $1,416 thousand and $3,019 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loan.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits and increase in bank loans.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity prices at the end of the reporting period.

If the equity price rises/falls by 1% and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $133 thousand and $0 thousand, respectively. The Group's other comprehensive income for the years ended December 31, 2019 and 2018 would increase/decrease by $150 thousand and $0 thousand, respectively.

The Group's sensitivity to equity prices increased during the current year mainly due to the increase in financial assets at FVTPL and financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, in order to mitigate the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group did not have significant credit risk for any single counterparty or any group of counterparties with similar characteristics.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both estimated interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Lease liabilities	$ 178	$ 268	$ 1,260	$ 2,250	$ -
Variable interest rate liabilities	65,000	-	-	-	-
Non-interest bearing liabilities	11,360	55,902	-	1,324	-
	$ 76,538	$ 56,170	$ 1,260	$ 3,574	$ -

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 1,706	$ 2,250	$ -	$ -	$ -	$ -

December 31, 2018

Non-derivative financial liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Variable interest rate liabilities	$ 3,837	$ -	$ -	$ -	$ -
Fixed interest rate liabilities	1,318	-	-	-	-
Non-interest bearing liabilities	14,558	62,608	-	1,077	-
	$ 19,713	$ 62,608	$ -	$ 1,077	$ -

b) Loan commitments

	December 31 2019	December 31 2018
Unsecured bank credit		
Amount used	$ 65,000	$ 3,837
Amount unused	185,000	200,000
	$ 250,000	$ 203,837
Secured bank credit which may be extended by mutual agreement:		
Amount used	$ -	$ 1,318
Amount unused	10,077	9,242
	$ 10,077	$ 10,560

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Relationship with the Group
Yilan Wu Sha Culture Foundation	Related party in substance (the Chairman of the entity is the managing director of the Company)
MORN SUN FEED MILL CORP.	Related party in substance (the Chairman of the entity is the Chairman of the Company)
WU, TING-GUO	Key management personnel (the managing director of the Company)

b. Revenue

Line Item	Related Party Category	For the Year Ended December 31 2019	2018
Sales revenue	Related party in substance	$ 544	$ 897

The Group's selling prices for the sale of goods to related parties were negotiated with reference to the market prices in the respective regions, and that for non-related parties were determined based on the general market. In 2019, the credit period for the sale of goods to related parties and third parties was 90 days after the month-end closing and 0-180 days after the month-end closing, respectively. In 2018, the credit period for the sale of goods to related parties and third parties was 90 days after the month-end closing and 30-150 days after the month-end closing, respectively.

c. Lease arrangements

Related Party Category/Name	For the Year Ended December 31 2019	2018
Interest expense		
Related party in substance WU, TING-GUO	$ 71	$ -
Lease expense		
Related party in substance WU, TING-GUO	$ 359	$ 1,094

In 2019 and 2018, the rental expenses, which were payable monthly, were based on current market prices.

d. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
General and administrative expenses - donation	Related party in substance Yilan Wu Sha Culture Foundation	$ 3,000	$ -
Other gains and losses - receipts of payments under custody	Related party in substance	$ -	$ 205

e. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 22,005	$ 16,234
Post-employment benefits	539	387
	$ 22,544	$ 16,621

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, government grant projects and guarantee for tariffs:

	December 31	
	2019	2018
Freehold land and buildings (classified as property, plant and equipment)	$ 19,460	$ 21,081
Pledged bank deposits (classified as other financial assets - current)	2,704	11,458
	$ 22,164	$ 32,539

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the end of the reporting period were as follows:

As of December 31, 2019, unrecognized commitments for purchases of property, plant and equipment amounted to $3,257 thousand.

35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. On February 26, 2020, Faco International Co., Ltd.'s board of directors decided to distribute RMB9,639 thousand to its parent company, Powerline Corp. On February 26, 2020, Powerline Corp.'s board of directors decided to distribute RMB9,639 thousand to the Company.

b. In response to operating development needs, the Company proposed in the board of directors' meeting on March 20, 2020 to acquire the properties located in the Tucheng District of New Taipei City for NT$315,000 thousand based on market prices and the professional valuation report.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,478	29.98 (USD:NTD)	$ 134,248
USD	89	1.346 (USD:SGD)	$ 2,672
RMB	20,614	4.305 (RMB:NTD)	$ 88,742
RMB	9,572	0.143 (RMB:USD)	$ 41,133
Financial liabilities			
Monetary items			
USD	35	29.98 (USD:NTD)	$ 1,059
RMB	36	4.305 (RMB:NTD)	$ 154

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,649	30.715 (USD:NTD)	$ 81,363
USD	89	1.366 (USD:SGD)	$ 2,747
RMB	19,511	4.472 (RMB:NTD)	$ 87,255
RMB	9,312	0.146 (RMB:USD)	$ 41,675
Financial liabilities			
Monetary items			
USD	25	30.715 (USD:NTD)	$ 755
RMB	523	4.472 (RMB:NTD)	$ 2,341

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange losses were $7,914 thousand and $470 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 2)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 4)

11) Information on investees (Table 5)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year

   c) The amount of property transactions and the amount of the resultant gains or losses

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items of affiliates are as follows:

1) The names of the subordinate companies and their relationships to the controlling company, the nature of their businesses, and the controlling company's shareholding or capital contribution ratio in each. (Note 12)

2) Changes in the subordinate companies included in the current consolidated financial statements of the affiliates. (Note 12)

3) The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons they are not included in the consolidated statements. (None)

4) The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those of the controlling company. (None)

5) An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China. (None)

6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations. (Note 12)

7) Statutory or contractual restrictions on distribution of earnings by the various affiliates. (Note)

8) Amortization methods and period for consolidated borrowings (loans). (None)

9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates. (None)

Note: If Fine Automation Co., Ltd., the subsidiary of Faco International Co., Ltd., made a profit in a fiscal year after paying taxes, the profit shall be first used to offset losses of previous years, set aside as legal reserve not lower than 10% of the net income (until the legal reserve reaches 50% of Fine Automation Co., Ltd.'s registered capital), and then any remaining profit shall be used as the basis for proposing a distribution plan, which should be resolved in Fine Automation Co., Ltd.'s board of directors' meeting for the distribution of dividends and bonuses to shareholders.

e. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items from each individual affiliate are as follows:

1) Information related to financing, endorsements, and guarantees. (None)

2) Information related to derivative instrument transactions. (None)

3) Significant contingencies. (None)

4) Significant events after the reporting period. (Note 35)

5) Names of bills and securities held, and their quantities, cost, market value (if not available, the net worth per share is disclosed), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period. (Tables 1, 5 and 6)

6) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates (None)

f. Subsidiaries holding the parent company's shares should list clearly their company name, number of shares held, the total amounts and the reasons for holding the shares: None.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The chief operating decision maker treats regional-direct-sale units as separate operating segments. However, in the preparation of financial statements, segments are identified according to the following:

- Similarity of the product nature and manufacturing process.

- Similarity of pricing strategy and sales models.

a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2019	**2018**
Process automated sensor development	$ 956,760	$ 947,965
Pneumatic control system	84,604	80,568
Others	68,444	65,505
	$ 1,109,808	$ 1,094,038

b. Geographical information

The Group operates in four principal geographical areas, China, Taiwan, USA and Germany.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
China	$ 454,978	$ 450,777	$ 85,086	$ 96,157
Taiwan	395,623	389,945	330,151	344,956
USA	133,507	149,769	4,566	1,316
Germany	107,024	85,073	50,943	54,161
Others	18,676	18,474	33,220	21,030
	$ 1,109,808	$ 1,094,038	$ 503,966	$ 517,620

Non-current assets exclude financial assets at FVTOCI - non-current, financial assets at amortized cost - non-current, goodwill, deferred tax assets, refundable deposits and net defined benefit assets.

c. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 126,298	$ 141,457

TABLE 1

FINETEK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Highest Shareholding Proportion in the Period (In Thousands of Shares)	Collateral Pledged	Note
				Number of Shares (In Thousands of Shares)	Carrying Amount	Percentage of Ownership (%)	Fair Value			
The Company	Domestic listed shares									
	Morn Sun Feed Mill Corp.	The Chairman of the entity is the Chairman of the Company	Financial assets at FVTPL - current	251	$ 13,276	-	$ 13,276	251	None	
	Domestic unlisted shares									
	Ultracker Technology Co., Ltd.	None	Financial assets at FVTOCI - non-current	1,250	15,000	9.14	15,000	1,250	None	Note 1
	Foreign investments									
	Corporate bonds - Deutsche Bank	None	Financial assets at amortized cost - non-current	1	6,005	-	5,913	1	None	Note 2
	Corporate bonds - Société Générale	None	Financial assets at amortized cost - non-current	1	5,990	-	6,238	1	None	Note 2
Faco International Co., Ltd.	Foreign investments									
	Corporate bonds - Deutsche Bank	None	Financial assets at amortized cost - non-current	1	14,917	-	14,782	1	None	Note 2

Note 1: Refer to Note 31 (b) for information relating to the fair value measurement of domestic investments.

Note 2: Refer to Note 31 (a) for information relating to the fair value measurement of domestic investments.

FINETEK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares (Note 1)	Amount	Number of Shares (Note 1)	Amount	Number of Shares (Note 1)	Amount	Carrying Amount	Gain (Loss) on Disposal (Note 2)	Number of Shares (Note 1)	Amount
The Company	Finetek GmbH	Investments accounted for using the equity method	Gain Access Investments Ltd.	Subsidiary	-	$ -	-	$ 115,786	-	$ -	$ -	$ -	-	$ 115,786
	Finetek GmbH	〃	Faco International Co., Ltd.	Second-tier subsidiary	-	-	-	12,869	-	-	-	-	-	12,869
Gain Access Investments Ltd.	Finetek GmbH	〃	The Company	Subsidiary	-	105,576	-		-	115,786	121,130	-	-	
Faco International Co., Ltd.	Finetek GmbH	〃	The Company	Second-tier subsidiary	-	11,731	-		-	12,869	13,463	-	-	

Note 1: As these are limited liability companies, they have no shares.

Note 2: On May 10, 2019, the Company’s board of directors decided to undergo a reorganization of the Group’s structure, and purchased 90% and 10% of Finetek GmbH from its subsidiary Gain Access Investments Ltd. and its second-tier subsidiary Faco International Co., Ltd., respectively, and the difference between the purchase price and the carrying amount was adjusted to retained earnings.

FINETEK CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes Receivable (Payable)/Trade Receivables (Payables)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price (Note 2)	Payment Terms	Ending Balance	% of Total	
The Company	Fine Automation Co., Ltd.	Parent company to subsidiary	Sale	$ 203,839	28	Net 90 days from the end of the month of when invoice is issued	Price set based on cost-plus pricing	Net 0-150 days from the end of the month of when invoice is issued	$ 24,685	19	Note 1
	Aplus Finetek Sensor Inc.	Parent company to subsidiary	Sale	96,278	13	Net 90 days from the end of the month of when invoice is issued	Price set based on cost-plus pricing	Net 0-150 days from the end of the month of when invoice is issued	8,273	6	Note 1
Fine Automation Co., Ltd.	The Company	Subsidiary to parent company	Purchase	203,839	79	Net 90 days from the end of the month of when invoice is issued	Price set based on cost-plus pricing	Net 30-180 days from the end of the month of when invoice is issued	(24,685)	(66)	Note 1
Aplus Finetek Sensor Inc.	The Company	Subsidiary to parent company	Purchase	96,278	96	Net 90 days from the end of the month of when invoice is issued	Price set based on cost-plus pricing	Net 30-60 days from the end of the month of when invoice is issued	(8,273)	(100)	Note 1

Note 1: The listed amounts were eliminated upon consolidation.

Note 2: Selling prices to general customers were determined based on the general market, and the purchase prices from general vendors were determined based on negotiation with counterparties.

FINETEK CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	The Company	Fine Automation Co., Ltd.	a	Sales	$ 203,839	Prices set based on cost-plus pricing	18
		Fine Automation Co., Ltd.	a	Trade receivables	24,685	Net 90 days from the end of the month of when invoice is issued	1
		Fine Automation Co., Ltd.	a	Purchases	7,401	Prices set based on cost-plus pricing	1
		Fine Automation Co., Ltd.	a	Trade payables	2,132	The transaction terms are not significantly different with other companies	-
		Finetek Pte., Ltd.	a	Sales	12,515	Prices set based on cost-plus pricing	1
		Finetek Pte., Ltd.	a	Trade receivables	6,442	Net 90 days from the end of the month of when invoice is issued	-
		Finetek GmbH	a	Sales	7,511	Prices set based on cost-plus pricing	1
		Aplus Finetek Sensor Inc.	a	Sales	96,278	Prices set based on cost-plus pricing	9
		Aplus Finetek Sensor Inc.	a	Trade receivables	8,273	Net 90 days from the end of the month of when invoice is issued	-
		Mutec Instruments GmbH	a	Purchases	3,580	Prices set based on market prices in the respective regions	-
		Mutec Instruments GmbH	a	Trade payables	1,073	The transaction terms are not significantly different with other companies	-
		Powerline Corp.	a	Investments accounted for using the equity method	45,889	Earnings distributions	3
		Gain Access Investments Ltd.	a	Investments accounted for using the equity method	115,786	Equity transactions	7
		Gain Access Investments Ltd.	a	Investments accounted for using the equity method	58,059	Amount of capital reduction	3
		Faco International Co., Ltd.	a	Investments accounted for using the equity method	12,869	Equity transactions	1
		PT. Finetek Automation Indonesia	a	Investments accounted for using the equity method	3,330	Cash capital increase	-
1	Powerline Corp.	Faco International Co., Ltd.	c	Investments accounted for using the equity method	45,889	Earnings distributions	3
2	Faco International Co., Ltd.	Fine Automation Co., Ltd.	c	Investments accounted for using the equity method	45,889	Earnings distributions	3

Note 1: The Company and its subsidiaries are numbered as follows:

a. The Company is numbered “0.”
b. The subsidiaries are numbered consecutively beginning from “1” in the order presented in the table above.

Note 2: The relationships between the parties of the transactions are numbered as follows:

a. The Company to the subsidiary.
b. The subsidiary to the Company.
c. Subsidiary to subsidiary.

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

Note 4: The intercompany transactions listed above were eliminated upon consolidation.

FINETEK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income/(Loss) of the Investee	Share of Profit/(Loss) of Investee	Remark
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	Powerline Corp. (Samoa)	Samoa	Investment activities	$ 72,578 (US$ 2,211)	$ 72,578 (US$ 2,211)	1,811	100.00	$ 430,493	$ 52,471	$ 52,471	Subsidiary (Notes 1 and 5)
	Golden Land International Corp. (Samoa)	Samoa	Investment activities	10,176 (US$ 340)	10,176 (US$ 340)	340	100.00	55,997	10,527	10,527	Subsidiary (Notes 1 and 5)
	Gain Access Investments Ltd.	Samoa	Investment activities	66,941 (US$ 1,875)	125,000 (US$ 3,750)	1,875	100.00	55,475	7,431	7,431	Subsidiary (Notes 1, 5 and 6)
	PT. Finetek Automation Indonesia	Indonesia	Manufacturing and selling of transmitters, point switches and electronic terminals	42,328 (US$ 1,396)	38,998 (US$ 1,287)	1,494	99.65	38,449	(4,139)	(4,125)	Subsidiary (Notes 1, 5 and 7)
	Finetek GmbH	Germany	Sale of transmitters, point switches and electronic terminals	128,655 (US$ 4,129)	-	-	100.00	135,338	16,157	8,211	Subsidiary (Notes 1, 5 and 8)
Golden Land International Corp. (Samoa)	Aplus Finetek Sensor Inc.	U.S.A	Sale of transmitters, point switches and electronic terminals	9,995 (US$ 331)	9,995 (US$ 331)	500	100.00	55,741	10,525	10,525	Second-tier subsidiary (Notes 1 and 5)
Gain Access Investments Ltd.	Finetek GmbH	Germany	Sale of transmitters, point switches and electronic terminals	-	105,576 (US$ 3,337)	-	-	-	16,157	7,151	Subsidiary (Notes 1, 5 and 8)
Powerline Corp. (Samoa)	Faco International Co., Ltd.	British Virgin Islands	Investment activities	59,240 (US$ 1,811)	59,240 (US$ 1,811)	1,811	100.00	446,078	52,470	52,470	Second-tier subsidiary (Notes 1 and 5)
Faco International Co., Ltd.	Finetek Pte., Ltd.	Singapore	Sale of transmitters, point switches and electronic terminals	24,247 (US$ 745)	24,247 (US$ 745)	1,672	100.00	9,654	(3,503)	(3,503)	Third-tier subsidiary (Notes 1 and 5)
	Finetek GmbH	Germany	Sale of transmitters, point switches and electronic terminals	-	11,731 (US$ 371)	-	-	-	16,157	795	Subsidiary (Notes 1, 5 and 8)
Finetek GmbH	Mutec Instruments GmbH	Germany	Sale of transmitters, point switches and electronic terminals	112,425 (US$ 3,256)	112,425 (US$ 3,256)	450	100.00	132,200	18,625	15,161	Second-tier subsidiary (Notes 1 and 5)

Note 1: Amounts were recognized based on the audited financial statements.

Note 2: The transactions were eliminated in the consolidated financial statements.

Note 3: The amounts above are listed in the New Taiwan dollars. Foreign currencies are translated into NTD using the spot exchange rate at the balance sheet date, and the profits/losses are translated into NTD using the average exchange rate in the reporting period.

Note 4: Refer to Table 6 for information relating to investments in mainland China.

Note 5: Except for the Company's greatest number of shares held in Gain Access Investments Ltd. of 3,750 thousand shares in the interim period and Gain Access Investments Ltd.'s and Faco International Co., Ltd.'s largest capital investments in Finetek GmbH in the interim period of $105,576 thousand and $11,731 thousand, respectively; the greatest number of shares held or capital investments in marketable securities of the remaining investor companies in the interim period were the same as that at the end of the reporting period.

Note 6: In September 2019, Gain Access Investments Ltd.'s board of directors decided to reduce its capital in cash of US$1,875 thousand (NT$58,059 thousand).

Note 7: During the year 2019, the Company invested US$109 thousand (NT$3,330 thousand) in its subsidiary PT. Finetek Automation Indonesia.

Note 8: On May 10, 2019, the Company's board of directors decided to undergo a reorganization of the Group's structure, and purchased 90% and 10% of Finetek GmbH from its subsidiary Gain Access Investments Ltd. and its second-tier subsidiary Faco International Co., Ltd. with US$3,716 thousand and US$413 thousand (NT$115,786 thousand and NT$12,869 thousand), respectively; and the transaction was completed on May 14, 2019. After reorganization of the Group structure, Finetek GmbH became a wholly-owned subsidiary of the Company.

FINETEK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 6)	Carrying Amount as of December 31, 2019 (Notes 2 and 6)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 8)	Note
					Outward	Inward							
Fine Automation Co., Ltd.	Designing, manufacturing and selling of transmitters, point switches and electronic terminals	$ 70,950 (US$ 2,230)	Note 1 (b)	$ 24,372 (US$ 720)	$ -	$ -	$ 24,372 (US$ 720)	$ 54,904	100	$ 54,904	$ 373,663	$ 45,889	Note 7

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 24,372 (US$ 720) (Note 3)	$ 70,950 (US$ 2,230) (Note 4)	$ 816,989 (Note 5)

Note 1: The methods of investment in mainland China are categorized into the following:

a. Direct investment in mainland China.
b. Indirect investment in mainland China through companies registered in a third region (Powerline Corp. (Samoa)'s reinvestment in mainland China through investment in Faco International Co., Ltd.).
c. Other methods.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: The amounts were translated into foreign currencies using the exchange rates prevailing on the remittance dates.

Note 4: Approval letter No. 092044421, 10100385930 and 10300286220. The original investment amount as of December 31, 2019 was $70,950 thousand (US$2,230 thousand), which consisted of accumulated outward remittance from Taiwan for investments amounting to $24,372 thousand (US$720 thousand) and capitalization of retained earnings amounting to $46,578 thousand (US$1,510 thousand).

Note 5: Pursuant to Order No. 09704604680 issued by the FSC, the amount above was calculated based on 60% of the Group's net equity as of December 31, 2019. ($1,361,648 thousand × 60% = $816,989 thousand)

Note 6: The listed amounts were eliminated upon consolidation.

Note 7: The amounts of paid-in capital held by investee companies were the same as the ending balance, and all the amounts above were not pledged as collateral.

Note 8: In December 2019, Fine Automation Co., Ltd. distributed retained earnings of RMB10,699 thousand (NT$45,889 thousand) to its parent company, Faco International Co., Ltd., and distributed retained earnings to the Company through Faco International Co., Ltd. and Powerline Corp. The transactions were approved by Letter No. 10800398670.

FINETEK CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

a. The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the year, and

b. The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the year:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss (Note)
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
Fine Automation Co., Ltd.	Sales	$ 203,839	28	Price set based on cost-plus pricing	Net 90 days from the end of the month of when invoice is issued	Not significantly different from those of sales to third parties	$ 24,685	19	$ 15,025
	Purchases	7,401	4	Price set based on cost-plus pricing	Net 90 days from the end of the month of when invoice is issued	Not significantly different from those of purchases from third parties	(2,132)	5	-

Note: The listed amounts were eliminated upon consolidation.

c. The amount of property transactions and the amount of the resultant gains or losses: None.

d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and their purposes: None.

e. The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.

f. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.