Yeh Chiang Technology Corporation and Subsidiaries

Consolidated Financial Statements

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

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

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Representation Letter

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

Company name: Yeh Chiang Technology Corporation
Chairman: Wang, Tai Kuang
Date: March 30, 2020

Independent Auditors' Report

To the Board of Directors of Yeh Chiang Technology Corporation:

Opinion

We have audited the consolidated financial statements of Yeh Chiang Technology Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Evaluation of inventory allowance

   For the evaluation of inventory policy please refer to Note 4(7) Summary of Significant Accounting Policies - Inventories, Notes 5 Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(4) description of Significant Accounts - Inventories to the consolidated financial statements.

   Description of key audit matter:

   In financial reports, inventories are measured at the lower of cost and net realizable value. Therefore, the Group needs to use judgment and estimation to decide on the net realizable value of the inventory on the reporting date. Due to the rapid changes in technology, the launch of new products and the new technologies may cause a significant change in market, and sales of related products may fluctuate significantly, resulting in the inventory costs to exceed its net realizable value. In addition, the policy for the allowance for loss of inventories is based on past experience and the management's estimate of the future. As a result of these subjective judgments and estimates, on inventory allowance for loss of value is one of the key matters in our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included evaluating the method of providing allowance for inventory valuation and the reasonableness of information, assumptions and formulas on which it is based; and examining the appropriate supporting documents to assess the appropriateness of the inventory allowance; examining the inventory aging report to analyze the change on inventory aging reports; performing the sample procedures to check the correctness of the inventory aging reports; evaluate whether the evaluation of inventory is consistent with its evaluation policy; performing a retrospective testing to verify the rationality of the provision of obsolescence.

2. Impairment of long-term non-financial assets

   For the impairment assessment of long-term non-financial assets, please refer to Note 4(12) for non-financial assets impairment assessment, Note 5 major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(6) description of real estate, plant and equipment.

   Description of key audit matter:

   The profitability of the Group is greatly affected by the rapid changes in technology and the changes in regional industrial competitiveness. Therefore, the impairment testing of long-term non-financial assets (including plant and equipment) is important; the asset impairment assessment includes the process of identifying the cash-generating unit, determining the evaluation model, determining the important assumptions and calculating the recoverable amount. The assessment process is complex and contains the subjective judgment of the management, therefore, the impairment of long-term non-financial assets in one of the key matter in our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included evaluating whether the cash-generating units and the related assets identified by the management are reasonable; assessing the methodology and assumption used by the management to determine whether the property is impaired; conducting a retrospective tests to assess whether the results of the Group's past estimated future cash flows are significantly different from the actual conditions; performing the sensitivity analysis on important assumptions; appointing specialists to evaluate the appropriateness of the evaluation model and the weighted average cost of capital; obtaining the subsequent financial information or significant matters to assess the rationality of the evaluation of impairment. In addition, assess whether the management has properly disclosed its long-term non-financial asset impairment policies and other information.

Other Matter

The Group has prepared its parent-company-only financial statements 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, 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.

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

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

As part of an audit in accordance with 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group 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 of the current period 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 Hai-Ning Huang and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2020

Notes to Readers

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

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

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

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 526,920	14	666,185	22
1110	Current financial assets at fair value through profit or loss (note 6(2))	203,827	5	392,605	13
1170	Notes and trade receivables, net (note 6(3))	812,369	21	565,553	19
130X	Inventories (note 6(4))	331,651	9	227,895	7
1476	Other financial assets - current (note 6(5) and 8)	171,227	4	187,340	6
1470	Other current assets	55,428	1	18,009	1
		2,101,422	54	2,057,587	68
	Non-current assets:				
1518	Non-current financial assets at fair value through other comprehensive income (note 6(2))	81,148	2	65,201	2
1600	Property, plant and equipment (note 6(6))	1,307,631	34	684,551	22
1755	Right-of-use assets (note 6(8))	269,481	7	-	-
1780	Intangible assets (note 6(7))	5,953	-	13,979	-
1840	Deferred income tax assets (note 6(14))	35,263	1	22,338	1
1900	Other non-current assets (note 6(13) and 8)	57,049	2	51,572	2
1985	Long-term rent prepayments (note 6(11))	-	-	148,094	5
		1,756,525	46	985,735	32
	Total assets	$ 3,857,947	100	3,043,322	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2102	Bank loan (note 6(10))	$ 25,010	1	40,000	1
2170	Notes and trade payables	129,504	3	51,117	2
2180	Trade payables - related parties (note 7)	2,856	-	2,116	-
2230	Current tax liabilities	7,630	-	-	-
2280	Current lease liabilities (note 6(9))	35,294	1	-	-
2220	Other payables - related parties (note 7)	151,220	4	-	-
2300	Other current liabilities (note 6(12) and (17))	451,647	12	202,064	7
		803,161	21	295,297	10
	Non-Current liabilities:				
2570	Deferred income tax liabilities (note 6(14))	7,185	-	267	-
2580	Non-current lease liabilities (note 6(9))	95,687	2	-	-
2600	Other non-current liabilities	-	-	957	-
		102,872	2	1,224	-
	Total liabilities	906,033	23	296,521	10
	Equity (note 6(15))**:**				
3100	Common stock	1,824,799	47	1,824,799	60
3200	Capital surplus	831,220	22	831,350	27
3300	Retained earnings	381,427	10	158,327	5
3400	Other equity	(143,625)	(4)	(123,002)	(4)
	Equity attributable to owners of parent	2,893,821	75	2,691,474	88
36XX	Non-controlling interests	58,093	2	55,327	2
	Total equity	2,951,914	77	2,746,801	90
	Total liabilities and equity	$ 3,857,947	100	3,043,322	100

See accompanying notes to consolidated financial statements.

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

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue** (note 6(17) and 14)	$ 2,245,683	100	1,905,226	100
5000	**Operating costs** (note 6(4), (11), (13) and 12)	1,688,134	75	1,543,174	81
	Gross profit from operations	557,549	25	362,052	19
	Operating expenses (note 6(9), (11), (13), (18), 7 and 12):				
6100	Selling expenses	95,991	4	93,920	5
6200	Administrative expenses	162,824	8	143,311	8
6300	Research and development expenses	43,756	2	36,894	2
		302,571	14	274,125	15
	Net operating gain	254,978	11	87,927	4
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(2) and (19))	11,869	1	30,859	2
7050	Finance costs, net (note 6(9) and 7)	(5,373)	-	(1,244)	-
7100	Interest income	4,197	-	4,974	-
	Total non-operating income and expenses	10,693	1	34,589	2
	Income before income tax	265,671	12	122,516	6
7950	Less: Income tax expenses (note 6(14))	40,349	2	10,566	-
	Net income	225,322	10	111,950	6
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	327	-	240	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(15))	15,947	1	(41,336)	(2)
		16,274	1	(41,096)	(2)
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements (note 6(15))	(45,712)	(2)	(20,656)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(14))	9,142	-	5,816	-
		(36,570)	(2)	(14,840)	(1)
8300	**Other comprehensive income**	(20,296)	(1)	(55,936)	(3)
	Comprehensive income	**$ 205,026**	**9**	**56,014**	**3**
	Net income attributable to:				
	Owners of parent	$ 222,773	10	111,399	6
	Non-controlling interests	2,549	-	551	-
		$ 225,322	**10**	**111,950**	**6**
	Comprehensive income attributable to:				
	Owners of parent	$ 202,477	9	55,463	3
	Non-controlling interests	2,549	-	551	-
		$ 205,026	**9**	**56,014**	**3**
	Earnings per share (New Taiwan Dollars) (note 6(16))				
	Basic earnings per share	**$**	**1.22**		**0.61**
	Diluted earnings per share	**$**	**1.22**		**0.61**

See accompanying notes to consolidated financial statements.

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

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			Retained earnings				Other equity						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 1,824,799	831,350	33,102	94,853	(89,700)	38,255	(108,956)	-	3,811	(105,145)	2,589,259	49,604	2,638,863
Effects of retrospective application on new standards	-	-	-	-	8,433	8,433	-	42,130	(3,811)	38,319	46,752	-	46,752
Balance on January 1, 2018 after adjustments	1,824,799	831,350	33,102	94,853	(81,267)	46,688	(108,956)	42,130	-	(66,826)	2,636,011	49,604	2,685,615
Net Income	-	-	-	-	111,399	111,399	-	-	-	-	111,399	551	111,950
Other comprehensive income (loss)	-	-	-	-	240	240	(14,840)	(41,336)	-	(56,176)	(55,936)	-	(55,936)
Total comprehensive income	-	-	-	-	111,639	111,639	(14,840)	(41,336)	-	(56,176)	55,463	551	56,014
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	5,172	5,172
Balance at December 31, 2018	1,824,799	831,350	33,102	94,853	30,372	158,327	(123,796)	794	-	(123,002)	2,691,474	55,327	2,746,801
Net income	-	-	-	-	222,773	222,773	-	-	-	-	222,773	2,549	225,322
Other comprehensive income (loss)	-	-	-	-	327	327	(36,570)	15,947	-	(20,623)	(20,296)	-	(20,296)
Total comprehensive income	-	-	-	-	223,100	223,100	(36,570)	15,947	-	(20,623)	202,477	2,549	205,026
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	3,037	-	(3,037)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	17,857	(17,857)	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	(130)	-	-	-	-	-	-	-	-	(130)	-	(130)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	217	217
Balance at December 31, 2019	**$ 1,824,799**	**831,220**	**36,139**	**112,710**	**232,578**	**381,427**	**(160,366)**	**16,741**	**-**	**(143,625)**	**2,893,821**	**58,093**	**2,951,914**

See accompanying notes to consolidated financial statements.

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

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 265,671	122,516
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	105,743	69,235
Amortization expense	10,493	13,191
Net gain on financial assets and liabilities at fair value through profit or loss	(1,536)	(1,573)
Interest expense	5,373	1,244
Interest income	(4,197)	(4,974)
Dividend income	(6,311)	(7,116)
Provision for (reversal of) inventory obsolescence (gain)	(3,695)	6,439
Others	(4,445)	5,226
	101,425	81,672
Changes in operating assets and liabilities:		
Notes and trade receivables, net	(264,557)	32,239
Inventories	(109,665)	20,754
Other operating assets	(47,189)	46,636
Notes and trade payables (including related parties)	79,127	(96,604)
Other operating liabilities	102,371	(5,429)
	(239,913)	(2,404)
Total adjustments	(138,488)	79,268
Cash flow generated from operations	127,183	201,784
Interest received	8,447	4,737
Dividends received	6,311	7,116
Interest paid	(5,373)	(1,358)
Income taxes paid	(29,584)	(6,809)
Net cash flows from operating activities	106,984	205,470
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(10,000)	(65,001)
Proceeds from disposal of financial assets at fair value through profit or loss	200,314	17,000
Acquisition of property, plant and equipment	(596,612)	(280,105)
Disposal of property, plant and equipment	4,409	16,078
Decrease in refundable deposits	3,532	2,935
Decrease (increase) in other financial assets	10,451	(1,425)
Net cash flows used in investing activities	(387,906)	(310,518)
Cash flows from financing activities:		
Decrease in bank loan	(14,990)	(15,000)
Repayments of long-term borrowings	-	(600)
Increase in guarantee deposits	1,852	714
Increase in other payables - related parties	151,220	-
Payment of lease liabilities	(19,892)	-
Net cash flows from (used in) financing activities	118,190	(14,886)
Effect of exchange rate changes on cash and cash equivalents	23,467	17,629
Net decrease in cash and cash equivalents for the period	(139,265)	(102,305)
Cash and cash equivalents at beginning of period	666,185	768,490
Cash and cash equivalents at end of period	**$ 526,920**	**666,185**

See accompanying notes to consolidated financial statements.

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

1. Company history

Yeh Chiang Technology Corporation (the "Company") was incorporated in December 23, 1994 and commenced its business operation in December 1995. The registered address of the Company's office is 7th Floor, No.13, No.19, Sanchong Road, Nangang District, Taipei. The Company's ordinary shares were publicly listed on the Taiwan Exchange in March 2002.

The major business activities of the Company and its subsidiaries (together referred to as the "Group" are the production and sales of high-tech heat pipe components, solder balls, LED products, equipment and semiconductor packaging wires.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized by the Board of Directors on March 19, 2020.

3. New standards, amendments and interpretations adopted:

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

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

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

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

A. IFRS 16 "Leases"

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

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(9) and 4(10).

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

(b) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of corporate fleet vehicle and leases of staff dormitory.

● Leases classified as operating leases under IAS 17

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

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

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

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

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

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

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

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

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

(c) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $199,666 thousand of right-of-use assets (of which $148,094 thousand is transferred from long - term rent prepayments) and $51,572 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.40%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 16,445
Recognition exemption for:	
short-term leases	(5,309)
lease of low-value assets	(120)
Extension and termination options reasonably certain to be exercised	42,200
	$ 53,216
Discounted using the incremental borrowing rate at January 1, 2019	**$ 51,572**
Lease liabilities recognized at January 1, 2019	**$ 51,572**

B. IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

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

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

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

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

4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

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

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

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

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business	Percentage of Ownership at December 31, 2019	Percentage of Ownership at December 31, 2018
The Company	Arcadia Tech Co., Ltd. (Arcadia Tech)	Production and sales of raw alcohol	100 %	100 %
The Company	Excel Rainbow (Seychelles) Ltd. (Excel Rainbow)	International trade	100 %	100 %
The Company	Yeh Chiang Technology (Samoa) Corp. (YCTSC)	Overseas holding business	100 %	100 %
The Company	Yeh Chiang Technology (BVI) Corp. (YCTBC)	International trade	100 %	100 %
The Company	Taiwan Lighting Co., Ltd. (Taiwan Lighting)	Production and sales of lighting equipment	100 %	100 %
The Company	So Bright Electronics Co. ,Ltd. (So Bright Electronic)	Production and sales of lighting equipment	60.29 %	60.29 %
The Company	Yu Cheng Materials Co., Ltd. (Yu Cheng Materials)	Production and sales of semiconductor package wires	81.80 %	81.80 %
The Company	Taiwan New Thermal System Co., Ltd. (Taiwan New Thermal System)	Production and sales of heat pipes	99.06 %	96.55 %
Arcadia Tech	Arcadia Earth Co., Ltd. (Arcadia Earth)	Environmental protection related business	60 %	60 %
YCTSC	Yeh Chiang Technology (Cayman) Corp. (YCTCC)	Overseas holding business	100 %	100 %
YCTSC	Yeh Chiang Technology Ye Xian(Cayman) Corp. (YCTYXCC)	Overseas holding business	100 %	100 %
YCTCC	Zhongshan Weiqiang Technology Co., Ltd. (Zhongshan Weiqiang)	Production and sales of heat pipes and solder balls	100 %	100 %
YCTCC	Zhuhai and Macau Spaning Border Industrial Estate Wei Qiang Technology Co., Ltd. (ZhuHai Weiqiang)	Production and sales of heat pipes	100 %	100 %

Name of investor	Name of subsidiary	Business	Percentage of Ownership at December 31, 2019	Percentage of Ownership at December 31, 2018
YCTYXCC	Ye Xian Weiqiang Technology Co., Ltd.(Ye Xian Weiqiang)	Production and sales of heat pipes	100 %	100 %
YCTCC	Ping Ding Shan Yeh Chiang Technology Co., Ltd. (Yeh Chiang Ping Ding Shan)	Production and sales of heat pipes	100 %	100 %

C. Increase or decrease of consolidated subsidiaries

The Group increased its capital $40,000 thousand of Taiwan New Thermal System on March, 2019, and its shareholding increased from 96.55% to 99.06%.

D. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured based on historical cost are translated the exchange rate at the date of the transaction.

B. Foreign operations

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

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

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

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

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

A. Financial assets

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

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

(a) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Fair value through other comprehensive income (FVOCI)

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

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(c) Fair value through profit or loss (FVTPL)

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

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

(d) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date；and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

(e) Derecognition of financial assets

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

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

(c) Financial liabilities

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

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

(d) Derecognition of financial liabilities

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

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

(e) Offsetting of financial assets and liabilities

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

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

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

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

B. Subsequent cost

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

C. Depreciation

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

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

(a)	Buildings	15~25 years
(b)	Machinery and equipment	6~8 years
(c)	Miscellaneous equipment	2~6 years

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

(10) Lease (Applicable from January 1, 2019)

A. Identifying a lease

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

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

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of the asset throughout the period of use only if either:

- the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

B. As a lessee

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

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

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

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

(a) fixed payments, including in-substance fixed payments;

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

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

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

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a extension or termination option; or

(e) there is any lease modifications

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

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

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of corporate fleet vehicle and staff dormitory that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(11) Lease (Applicable before January 1, 2019)

A. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

B. Lessee

The Group lease are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(12) Intangible assets

A. Research & development

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

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

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

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years of patents and trademarks are 10 to 20 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(14) Revenue from contracts with customers

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

A. Sale of goods-electronic components

The Group manufactures and sells high-tech heat pipe components, solder balls, LED products, equipment and semiconductor packaging wires. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

B. Financing components

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

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

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

(16) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflect to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

Deferred taxes are recognized except for the following:

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

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

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates that have been enacted or substantively enacted at the reporting date.

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

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to incomes taxes levied by the same taxation authority on either.

(a) the same taxable entity; or

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

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

(17) Earnings per share

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

(18) Operating segments

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

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

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

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

(1) Evaluation of inventory allowance

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

(2) Impairment of long-term non-financial assets

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

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

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

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

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

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

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(20) for assumptions used in measuring fair value.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Petty cash and cash on hand	$	3,457	3,609
Check and demand deposits		429,193	537,591
Time deposits(within three months)		94,270	124,985
	$	**526,920**	**666,185**

Please refer to note 6(20) for the credit risk of the financial assets and liabilities of the Group.

The time deposits that did not conform the definition of cash as of December 31, 2019 and 2018 were $167,549 thousand and $174,461 thousand, which were classified to other financial assets - current. Please refer to note 6(5).

(2) Financial instruments

A. Current financial assets at fair value through profit or loss

		December 31, 2019	December 31, 2018
Financial assets held-for-trading current:			
Beneficiary Certificates - mutual Funds	**$**	**203,827**	**392,605**

The gains arising from the fair value assessment of the financial assets of the Group in 2019 and 2018 were $1,536 thousand and $1,573 thousand.

B. Non-Current financial assets at fair value through other comprehensive income:

		December 31, 2019	December 31, 2018
Listed stocks - ASUSTeK Computer Inc.	$	30,725	26,743
Listed stocks - Pegatron Corporation		20,028	15,050
Domestic non-listed (cabinet) stocks - Song Long Electronics Co., Ltd.		13,214	16,021
Domestic non-listed (cabinet) stock - Powerchip Technology Corporation		17,181	7,387
	$	**81,148**	**65,201**

The Group investments in these equity instruments are not held for trading purposes and have been designated for non-current financial assets at fair value through other comprehensive income.

(3) Notes and trade receivables, net

		December 31, 2019	December 31, 2018
Note receivables	$	27,218	34,582
Trade receivables - measured as amortized cost		787,238	533,058
		814,456	567,640
Less: Loss allowance		(2,087)	(2,087)
	$	**812,369**	**565,553**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2019 and 2018 was determined as follows:

	December 31, 2019			
		Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Not past due	$	736,211	0%	-
1 to 180 days past due		75,474	0%	-
	$	**811,685**		**-**

	December 31, 2018			
		Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Not past due	$	532,886	0%	-
1 to 180 days past due		28,994	0%	-
	$	**561,880**		**-**

In addition, the amounts of receivable were respectively $2,771 thousand and $5,760 thousand as of December 31, 2019 and 2018. The Group assessed the receivable of certain specific customers to inability fulfill their obligations, therefore recognized an expected credit loss $2,087 thousand.

The movement in the allowance for notes and trade receivables was as follows:

		For the year ended December 31, 2019	For the year ended December 31, 2018
Balance on January 1 (equals to balance on December 31)	**$**	**2,087**	**2,087**

(4) Inventories

		December 31, 2019	December 31, 2018
Raw materials	$	138,343	156,359
Work in progress		41,699	23,793
Finished goods		220,938	120,325
Trading inventories		5,044	5,957
		406,024	306,434
Loss: allowance for devaluation		(74,373)	(78,539)
	$	**331,651**	**227,895**

In 2019 and 2018 recognized as cost of sales amounted to $1,691,829 thousand and $1,536,735 thousand, respectively; the reversal of write-downs and write-downs amount to $(3,695) thousand and $6,439 thousand. The write-downs and reversals are included in cost of sales.

(5) Other financial assets - current

The other current financial assets - current of the Group were as follows:

		December 31, 2019	December 31, 2018
Time deposits (over three months)	$	167,549	174,461
Other receivables, net		2,889	4,798
Certificate of bank deposit restricted		-	3,003
Other		789	5,078
	$	**171,227**	**187,340**

A. Please refer to note 8 for the certificate of deposit-restricted.

B. In 2019 and 2018, the Group did not provide any impairment losses for other financial assets.

C. Please refer to note 6(20) for the remaining credit risk.

(6) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Land	Buildings	Machinery and equipment	Other facilities	Construction in progress and equip	Total
Cost or deemed cost:							
Balance on January 1, 2019	$	99,389	8,362	479,728	224,269	181,545	993,293
Additions		-	232,480	327,731	80,836	99,968	741,015
Disposal		-	110,871	(930)	(27,414)	(144,871)	(62,344)
Balance on December 31, 2019	$	**99,389**	**351,713**	**806,529**	**277,691**	**136,642**	**1,671,964**
Balance on January 1, 2018	$	99,389	8,362	412,359	207,662	58,808	786,580
Additions		-	-	47,702	32,328	197,369	277,399
Disposal		-	-	19,667	(15,721)	(74,632)	(70,686)
Balance on December 31, 2018	$	**99,389**	**8,362**	**479,728**	**224,269**	**181,545**	**993,293**
Depreciation and impairments loss:							
Balance on January 1, 2019	$	4,672	7,953	111,080	185,037	-	308,742
Depreciation		-	1,776	62,185	17,679	-	81,640
Disposal		-	(55)	(1,898)	(24,096)	-	(26,049)
Balance on December 31, 2019	$	**4,672**	**9,674**	**171,367**	**178,620**	**-**	**364,333**
Balance on January 1, 2018	$	4,672	7,544	87,514	166,918	-	266,648
Depreciation		-	409	42,671	26,155	-	69,235
Disposal		-	-	(19,105)	(8,036)	-	(27,141)
Balance on December 31, 2018	$	**4,672**	**7,953**	**111,080**	**185,037**	**-**	**308,742**
Carrying amounts:							
Balance on December 31, 2019	$	**94,717**	**342,039**	**635,162**	**99,071**	**136,642**	**1,307,631**
Balance on December 31, 2018	$	**94,717**	**409**	**368,648**	**39,232**	**181,545**	**684,551**
Balance on January 1, 2018	$	**94,717**	**818**	**324,845**	**40,744**	**58,808**	**519,932**

As of December 31, 2019 and 2018, the Group did not provide any property, plant and equipment as collateral for its loans.

(7) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Patent and trademark
Costs:		
Balance at January 1, 2019	$	83,813
Additions		1,000
Balance at December 31, 2019	$	**84,813**

	Patent and trademark
Balance at January 1, 2018	$ 83,002
Additions	830
Disposals	(19)
Balance at December 31, 2018	$ **83,813**
Accumulated amortization:	
Balance at January 1, 2019	$ 69,834
Amortization	9,026
Balance at December 31, 2019	$ **78,860**
Balance at January 1, 2018	$ 61,127
Amortization	8,726
Disposals	(19)
Balance at December 31, 2018	$ **69,834**
Carrying value:	
Balance at December 31, 2019	$ **5,953**
Balance at December 31, 2018	$ **13,979**
Balance at January 1, 2018	$ **21,875**

A. Recognition of amortization

The amortization of intangible assets are included in the statement of comprehensive income under the operating expenses, please refer to note12(1).

B. As of December 31, 2019 and 2018, the Group did not provide any intangible assets as collateral for its loans.

(8) Right-of-use assets

The Group leases many assets including land, buildings and other facilities. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings	Other equipment	Total
Cost:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective on IFRS 16 application	148,094	51,572	-	199,666
Additions	-	24,895	78,847	103,742
Effect of movements in exchange rates	(5,530)	(1,911)	(2,958)	(10,399)
Balance at December 31, 2019	$ **142,564**	**74,556**	**75,889**	**293,009**

		Land	Buildings	Other equipment	Total
Accumulated depreciation:					
Balance at January 1, 2019	$	-	-	-	-
Depreciation		3,059	18,008	3,036	24,103
Effect of movements in exchange rates		(115)	(346)	(114)	(575)
Balance at December 31, 2019	$	2,944	17,662	2,922	23,528
Carrying amount:					
Balance at December 31, 2019	$	139,620	56,894	72,967	269,481

(9) Lease liabilities

The carrying amount of lease liabilities of the Group is:

		December 31, 2019
Current	$	35,294
Non-current	$	95,687

For the maturity analysis, please refer to note 6(20).

The amounts recognized in profit or loss was as follows:

		For the year ended December 31, 2019
Interest expense on lease liabilities	$	2,842
Variable lease payments not included in the measurement of lease liabilities	$	1,116
Expenses relating to short-term leases	$	7,326
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	185
Total cash outflow for leases	$	31,361

A. Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space. The leases of land typically run for a period of 50 years, and of office space typically run for a period of 2 to 4 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of land and office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

B. Other leases

The Group leases nitrogen, argon and air storage equipment, with lease terms of three to fifteen years.

(10) Bank loan

	December 31, 2019	December 31, 2018
Credit loan	$ 25,010	40,000
Unused short-term credit lines	$ 449,930	317,020
Range of interest rates	1.5%	1.5%

The above credit loans are owned by So Bright Electronics, which are guaranteed by the Company.

(11) Operating lease

A. Leases as lessee

Non-cancellable operating lease rentals payable was as follows:

	December 31, 2018
Less than one year	$ 15,839
Between one and four years	606
	$ 16,445

During 2018, an amount of $23,812 thousand was recognized as operating costs and amount of $18,318 thousand was recognized as operating expenses.

B. Long-term prepaid rent

The Group paid the cost for land use right to Ye Xian County Land and Resources Bureau for an amount of $153,417 thousand in the first quarter 2017. And signed the completion of the state-owned land use right transfer contract in May 2017. The lease period (amortization period) is 50 years and has been amortized in June 2017. The construction of the plant has begun.

In addition, the Group applied IFRS 16, therefore reclassified the long-term rent prepayments, which amounts of $148,094 thousand as of January 1, 2019, to right-of-use assets. Please refer to note 6(8).

(12) Other liabilities-current

	December 31, 2019	December 31, 2018
Payables on equipment	$ 173,763	29,360
Payroll and bonus payables	60,556	51,402
Payables on employee compensation and directors' and supervision' remuneration (Note 6 (18))	57,708	26,864
Payable on human resource service dispatching	32,622	11,754
Other	126,998	82,684
	$ 451,647	**202,064**

(13) Employee benefits

A. Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ (8,954)	(8,665)
Fair value of plan assets	13,428	12,845
Net defined benefit liabilities	**$ 4,474**	**4,180**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(a) Composition of plan assets

The Group's allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $13,428 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

		For the year ended December 31, 2019	For the year ended December 31, 2018
Defined benefit obligations at 1, January	$	8,665	8,313
Current service costs and interest cost		146	232
Remeasurements loss (gain):			
—demographic assumptions		-	25
—financial assumptions		143	95
Defined benefit obligations at 31, December	**$**	**8,954**	**8,665**

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		For the year ended December 31, 2019	For the year ended December 31, 2018
Fair value of plan assets at 1, January	$	12,845	12,345
Interest income		113	140
Remeasurements gain (loss):			
—Return on plan assets excluding interest income		470	360
Fair value of plan assets at 31, December	**$**	**13,428**	**12,845**

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		For the year ended December 31, 2019	For the year ended December 31, 2018
Current service costs	$	70	138
Net interest of net assets for defined benefit obligations		(37)	(46)
	$	**33**	**92**
Operating expense	**$**	**33**	**92**

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Discount rate	0.625 %	0.875 %
Future salary increase rate	2.00 %	2.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $414 thousand.

The weighted average lifetime of the defined benefits plans is 7.6 years.

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	$ (169)	174
Future salary increasing rate	168	(165)
December 31, 2018		
Discount rate	$ (180)	185
Future salary increasing rate	180	(176)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis in 2019 and 2018.

B. Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $15,791 thousand and $16,827 thousand for the years ended December 31, 2019 and 2018, respectively.

(n) Income taxes

A. Income tax expense

The amount of income tax expense (benefits) was as follow:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Current tax expense	$ 36,374	10,926
5% surtax on unappropriated retained earnings	474	-
Deferred tax expense	3,501	758
Adjustment in tax rate	-	(1,118)
	$ 40,349	**10,566**

The amount of income tax benefits recognized in other comprehensive income in 2019 and 2018 was as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Exchange differences on currency translation of foreign operations	**$ (9,142)**	**(5,816)**

Reconciliation of income tax expense (benefits) and income before income tax in 2019 and 2018 is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit excluding income tax	$ 265,671	122,516
Income tax using the Company's domestic tax rate	53,134	24,503
Effect of tax rates in foreign jurisdiction	11,114	(12,006)
Change in unrecognized temporary differences and others	(23,899)	(813)
Adjustment in tax rate	-	(1,118)
	$ 40,349	**10,566**

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
The carryforward of unused tax losses	$ 162,430	204,469
Tax effect of deductible temporary differences	19,221	26,746
The equity method recognizes the loss of foreign subsidiaries	-	32,700
	$ 181,651	263,915

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As at 31 December 2019, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2010~2019	$ 793,942	2019~2028

(b) Recognized deferred tax assets and liabilities

Deferred Tax Assets	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensiv e income	December 31, 2019
Inventory devaluation loss	$ 6,891	(150)	-	6,741	-	-	6,741
Foreign currency translation differences for foreign operations and other	9,786	(5)	5,816	15,597	3,783	9,142	28,522
	$ 16,677	(155)	5,816	22,338	3,783	9,142	35,263

Deferred Tax Liabilities	January 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2019
Foreign currency translation differences for foreign operations	$ 18	(18)	-	-	-	-	-
Equity method recognized the gain of foreign subsidiaries	800	(533)	-	267	6,918	-	7,185
	$ 818	(551)	-	267	6,918	-	7,185

C. The Company's tax returns for the years through 2017 were assessed by the Tax Authorities.

(15) Capital and other equity

A. Common stock

As of 31 December 2019 and 2018, the number of authorized ordinary shares were $2,600,000 thousand shares with par value of $10 per share (both of them reserved $100,000 thousand for the issue of employee stock option certificates, and $200,000 thousand for the issuance of convertible corporate bonds). The actual paid-in capital is $1,824,799 thousand.

B. Capital surplus

		December 31, 2019	December 31, 2018
Additional paid-in capital	$	787,281	787,281
Changes of equities on associates		13,492	13,492
Changes of equities on subsidiaries		6,560	6,690
Employee share options		23,887	23,887
	$	**831,220**	**831,350**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

The company's dividend policy is determined in accordance with the company law and the company's articles of association, and is determined by the company's capital and financial structure, operating conditions, surplus, the nature of the industry and the cyclical factors. The cash dividend is not less than 50% of the total dividends for the year, and can be adjusted according to the flexibility of internal and external environmental changes.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

By choosing to apply the exemptions granted under IFRS 1 during the Company's first-time adoption of IFRSs endorsed by the FSC, the accumulating conversion adjustments under shareholders' equity, transferred on the conversion date, resulted in an increase in retained earnings of $109,388 thousand. However, on the conversion date, the actuarial gains and losses will be recognized immediately. The retained earnings incurred from the retained surplus of $4,917 thousand, and the expected cost of the employee's accumulated paid leave, will be reduced by $1,771 thousand. The conversion date was based on the first time the adoption of the IFRSs endorsed by the FSC. The net increase in retained earnings amounted to $102,700 thousand, which resulted in the loss of the original account $(90,258) thousand and the retained surplus of $12,422 thousand. According to the Ruling 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is use, disposed, or reclassified, this special reserve shall be reversed as a distributable earnings proportionately. In the first half of the year 2016 and the second half of the year of 2015, due to the sales of Yeh Chiang Kunshan and the disposed of Yeh Chiang Dongguan, the special surplus reserve was $2,681 thousand and $4,206 thousand, respectively, due to the sales of Yeh Chiang Kunshan and the disposal of Yeh Chiang Dongguan. The carrying amount of special reserve both amounted to $5,555 thousand as of December 31, 2019 and 2018.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior-periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Company did not distribute any dividends in 2019 and 2018 with the resolution approved during the shareholders’ meeting held on the June 19, 2019 and June 12, 2018, respectively.

D. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2019	$ (123,796)	794	-
Exchange differences on foreign operations	(36,570)	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	15,947	-
Balance at December 31, 2019	**$ (160,366)**	**16,741**	**-**
Balance at January 1, 2018	$ (108,956)	-	3,811
Effects of retrospective application	-	42,130	(3,811)
Balance at January 1, 2018 after adjustment	(108,956)	42,130	-
Exchange differences on foreign operations	(14,840)	-	-
Unrealized losses on available-for-sale financial assets	-	(41,336)	-
Balance at December 31, 2018	**$ (123,796)**	**794**	**-**

(16) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year ended December 31, 2019 and 2018 are as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Basic earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	**$ 222,773**	**111,399**
Weighted-average number of ordinary shares (in thousands)	**182,480**	**182,480**
Basic earnings per share (TWD)	**$ 1.22**	**0.61**

	For the year ended December 31, 2019	For the year ended December 31, 2018
Diluted earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	$ 222,773	111,399
Weighted-average number of ordinary shares (diluted) (in thousands)	182,480	182,480
Impact of dilution of potential common stock - employee compensation (thousand shares)	593	157
Weighted-average number of ordinary shares (in thousands)	183,073	182,637
Diluted earnings per share (TWD)	$ 1.22	0.61

(17) Revenue from contracts with customers

A. Details of revenue

For details on revenue, please refer to note 14.

B. Contract balance

	For the year ended December 31, 2019	For the year ended December 31, 2018
Contract liabilities	$ 12,696	2,908

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the year ended December 31, 2019 and 2018 that was included in the contract liabilities balance at the beginning of the period was $2,908 thousand and $5,413 thousand.

(18) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $25,725 thousand and $3,393 thousand, and directors' and supervisors' remuneration amounting to $5,145 thousand and $679 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2019 and 2018. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the shareholders' meeting. The related information can be accessed from the Market Observation Post System website.

(19) Other gain and losses, net

		For the year ended December 31, 2019	For the year ended December 31, 2018
Foreign exchange gains (losses)	$	(26,626)	14,874
Subsidy revenue		19,439	
Dividend income		6,311	7,116
Gains on financial assets at fair value through profit or loss		1,536	1,573
Other		11,209	7,296
	$	**11,869**	**30,859**

(20) Financial instruments

A. Credit risk

(a) Exposure and concentration of credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The customers of the Group are mainly concentrated in the downstream heat pipe module factory of the computer industry. As of the end of December 31, 2019 and 2018, the total amount of notes and trade receivables deriving from the top five customers of the Group's operating income was $348,344 thousand and $288,667 thousand. They accounted for 43% and 51% of the net amount of notes and trade receivables, respectively. To reduce the concentration of credit risk, the Group continuously evaluates the credit status of its customers and collectability of notes and accounts receivables, and provides an allowance for doubtful accounts.

(b) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6(3).

Other financial assets at amortized cost includes time deposits (recorded in other financial assets - current) and certificate of deposit-restricted (recorded in other current assets).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(6). No loss allowances were recognized under financial assets at amortized cost.

B. Liquidity risk

Except for the accrued expenses under other current liabilities, the contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	1 years	2-5 years	5 years
December 31, 2019					
Non derivative financial liabilities					
Bank loan	$ 25,010	25,175	25,175	-	-
Notes payable and trade payables (including related parties)	132,360	130,593	130,593	-	-
Lease liabilities (including other current liabilities portion)	130,981	133,823	38,136	51,157	44,530
Other payables - related parties	151,220	155,462	155,462	-	-
Guarantee deposit received	2,804	2,804	-	2,804	-
	$ 442,375	**447,857**	**349,366**	**53,961**	**44,530**
December 31, 2018					
Non derivative financial liabilities					
Bank loan	$ 40,000	40,009	40,009	-	-
Notes and trade payables (including related parties)	53,233	53,233	53,233	-	-
Guarantee deposit received	952	952	-	952	-
	$ 94,185	**94,194**	**93,242**	**952**	**-**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Market risk

(a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
CNY	$ 8,826	4.305	37,995	8,690	4.472	38,896
USD	16,975	29.98	508,899	17,293	30.715	531,148
Financial liabilities						
Monetary items						
USD	564	29.98	16,907	101	30.715	3,097

(b) Sensitivity analysis

Exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and trade receivables, and notes and trade payables (including related parties) that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD, and CNY as at December 31, 2019 and 2018 would have increased (decreased) the net profit before tax by $26,499 thousand and $28,347 thousand. The analysis is performed on the same basis for prior year.

(c) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to$(26,626) thousand and $14,874 thousand, respectively.

(d) Other price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 10% (listed stocks) and 1% (mutual funds)	$ 5,075	2,038	4,179	3,926

Prices of securities at the reporting date	For the year ended December 31, 2019 Other comprehensive income after tax	For the year ended December 31, 2019 Net income	For the year ended December 31, 2018 Other comprehensive income after tax	For the year ended December 31, 2018 Net income
Decreasing 10% (listed stocks) and 1% (mutual funds)	$ (5,075)	(2,038)	(4,179)	(3,926)

D. Interest rate analysis

The Group's assessment did not have a significant loan rate risk.

E. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income (available for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Book Value	Fair Value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 203,827	203,827	-	-	203,827
Financial assets at fair value through other comprehensive income					
Stocks in listed companies (domestic)	50,753	50,753	-	-	50,753
Stocks non-listed cabinet companies (domestic)	30,395	-	-	30,395	23,408
Financial assets measured at amortized cost					
Cash and cash equivalents	526,920	-	-	-	-
Notes and trade receivables	812,369	-	-	-	-
Other financial assets - current	171,227	-	-	-	-
Refundable deposits (recorded in other current and non-current assets)	41,142	-	-	-	-
	$ 1,836,633	**254,580**	**-**	**30,395**	**284,975**

	December 31, 2019				
	Book Value	Fair Value Level 1	Level 2	Level 3	Total
	Book	Fair Value			
Financial liabilities at amortized cost					
Bank loan	$ 25,010	-	-	-	-
Notes and trade payables (including related parties)	132,360	-	-	-	-
Lease liabilities	130,981	-	-	-	-
Other payable-related parties	151,220	-	-	-	-
Guarantee deposits received	2,804	-	-	-	-
	$ 442,375	**-**	**-**	**-**	**-**

	December 31, 2018				
	Book Value	Fair Value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 392,605	392,605	-	-	392,605
Financial assets at fair value through other comprehensive income					
Stocks in listed companies (domestic)	41,793	41,793	-	-	41,793
Stocks non-listed cabinet companies (domestic)	23,408	-	-	23,408	23,408
Financial assets measure at amortized cost					
Cash and cash equivalents	666,185	-	-	-	-
Notes and trade payables (including related parties)	565,553	-	-	-	-
Other financial assets-current	187,340	-	-	-	-
Refundable deposits (recorded in other current and non-current assets)	45,674	-	-	-	-
	$ 1,922,558	**434,398**	**-**	**23,408**	**457,806**
Financial liabilities at amortized cost					
Notes and accounts payables	$ 53,233	-	-	-	-
Bank loan	40,000	-	-	-	-
Guarantee deposits received	952	-	-	-	-
	$ 94,185	**-**	**-**	**-**	**-**

(b) Valuation techniques for financial instruments not measured at fair value

i. If financial instruments measured at fair value through profit or loss, and equity instruments with quoted prices in active markets are available, the market price is established as the fair value.

ii. If quoted prices in active markets are not available, the market comparable company method are used to estimate fair value, that is assessed by the pee stock price ratio.

(c) There were no transfer between the levels for the years ended December 31, 2019 and 2018.

(d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value are "financial assets measured at fair value through other comprehensive - entity investments".

The Group's financial instruments that use Level 3 inputs to measure fair value are "financial assets measured at fair value through other comprehensive-equity investments".

The equity investments without an active market that use Level 3 inputs to measure fair value due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments are independent, therefore, there is no correlation.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive - without an active market	Market Method (comparable to the price and net value ratio of the listed (cabinet) company's peers)	‧ Price and net value ratio multiplier (As of 31 December 2019 and 2018 are 1.37~1.76 and 0.82~1.50) ‧ Lack of market liquidity discount (As of 31 December 2019 and 2018 are both 20~30%)	‧ The higher the price and net value ratio multiplier, the higher the fair value ‧ The higher the lack of market liquidity discount, the lower the fair value

(e) Reconciliation of level 3 fair values

		For the year ended December 31, 2019	For the year ended December 31, 2018
Financial assets measured at fair value through other comprehensive income - Equity instruments without an active market			
Balance at January 1	$	23,408	1,608
Adjustment on initial adoption of IFRS 9		-	46,752
Total gain or loss-recognized in other comprehensive		6,987	(24,952)
Balance at December 31	$	**30,395**	**23,408**

(21) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

This note presents information about Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits, trade receivables and guarantees.

(a) Trade receivables

The Group continuously evaluate the financial status. Please refer to Note 6(20) of the financial report.

(b) Investments

The exposure to credit risk for the bank deposits, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations, and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(c) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. For details of the guarantee provided by the Group of December 31, 2019 and 2018, please refer to Note 13.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk of the Group is monitored through its corporate financial department which tracks the development of the actual cash flow position for the Group and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate financial invest surplus cash in money market deposits and short-term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors and are subject to the monitor from internal audit office.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying foreign exchange option or forward exchange contracts when necessary to address short-term imbalances.

The Group is not hedges its investment in foreign subsidiaries.

(b) Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns. In accordance with this strategy, certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

(22) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and other equity interest. The board of directors managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-capital ratio at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 906,033	296,521
Total equity	$ 2,951,914	2,746,801
Debt-to-equity ratio at 31 December	30.69%	10.80%

As of December 31, 2019, the Group had not changed its capital management method.

(23) Financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

A. Obtaining right-of-use assets by lease, please refer to note 6(8).

B. Reconciliation of liabilities arising from financing activities were as follows:

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2019 balance	$ 40,000	51,572	91,572
Addition	-	103,742	103,742
Principal repayments	(14,990)	(19,892)	(34,882)
Foreign exchange movement	-	(4,441)	(4,441)
December 31, 2019 balance	**$ 25,010**	**130,981**	**155,991**

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2018 balance	$ 55,000	600	55,600
Principal repayments	(15,000)	(600)	(15,600)
December 31, 2018 balance	**$ 40,000**	**-**	**40,000**

7. Related-party transactions:

(1) Names and relationship with related parties

Name of related party	Relationship with the Group
Zhongshan Wei Li Textile Co., Ltd. (Zhongshan Wei Li)	The supervisor of the entity's parent company is the Company's chairman
Ping Ding Shan Bellevuecity Construction Co., Ltd. (Ping Ding Shan Bellevuecity)	The chairman of the entity's parent company is the Company's chairman

(2) Key management personnel

Key management personnel compensation comprised:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Short-term employee benefits	**$ 7,887**	**5,179**

(3) Other related party transactions

The amounts prepaid by the Group by related parties for operating expense were respectively $2,856 thousand and $2,116 thousand and accounted to trade payable-related parties at December 31, 2019.

As of December 31, 2019, the amount of borrowings from Ping Ding Shan Bellevuecity for operating turnover were $150,675 thousand. The interest rate was 4.35%. The interest expense was $1,714 thousand. Until the end of December 31, 2019, the amount of other accounts payable-related parties, which including principal and interest were $151,220 thousand.

8. Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Account	Object	December 31, 2019	December 31, 2018
Time deposits	Other non-current assets	Contract fulfillment and warranty guarantee	$ -	536
Time deposits	Other non-current assets	Litigation deposit guarantee	7,000	23,800
Certificate of bank deposit restricted	Other financial assets - current	Derivative financial commodity guarantee	-	3,003
Refundable deposit	Other non-current assets	Futures deposit	13,664	13,999
			$ 20,664	41,338

9. Commitments and contingencies:

(1) The Group's unrecognized contractual commitments for property, plant and equipment are as follows:

December 31, 2019	December 31, 2018
$ 96,393	198,197

(2) For the financial loan credits, export bills and financial commodity trading credits, the details of the opening guarantee notes are as follows:

December 31, 2019	December 31, 2018
$ 480,910	278,218

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the year ended December 31					
	2019			2018		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee benefits						
Salary	598,281	138,459	736,740	480,695	112,092	592,787
Labor and health insurance	2,969	6,445	9,414	3,847	3,836	7,683
Pension	9,894	5,930	15,824	10,477	6,442	16,919
Others	2,222	20,433	22,655	1,519	12,783	14,302
Depreciation	74,208	31,535	105,743	51,322	17,913	69,235
Amortization (Note)	-	10,493	10,493	-	13,191	13,191

(Note) Amortization expenses included intangible assets amounting to $9,026 thousand, and other non-current assets amounting to $1,467 thousand in 2019. Amortization expenses included intangible assets amounting to $8,726 thousand, long-term rent prepayments amounting to $3,147 and other non-current assets amounting to $1,318 thousand in 2018.

(2) On September 15, 2009, the Group entered into an agreement with an agent, Taiwan Mother Cosmo Co., Ltd. (TMC), for the manufacturing and sales of fibre-alcohol in the People's Republic of China in order to obtain fibre-alcohol mass production technology and related advisory services. However, the TMC failed to comply with the agreement, resulting in the Group to file a lawsuit against the agent, including its chairman and vice chairman, to the Taipei District Court. The Company also provided the amount of $16,800 thousand to the Taipei District Court as security after an execution of a ruling on the abovementioned lawsuit had been carried out. On the other hand, TMC was dissatisfied with the decision made by the Taipei District Court, and therefore, filed an appeal to the Taiwan High Court. On December 7, 2016, the Taiwan High Court demanded TMC to pay the amount $70,308 thousand to the Company, but dismissing the allegation against its chairman and vice chairman. TMC disagreed with the court's decision, hence, filed an appeal against it. However, its appeal was denied on October 11, 2018. On January 31, 2019, TMC appeal to the Supreme Court. After the final judgment, the Supreme Court ruled and denied the appeal.

(3) In 2010, the Company entered into an agreement with Unimax Investment Services Ltd. (Unimax) for the purchase of spotlights, wherein Davinci Industrial Inc. (Davinci) was responsible for the manufacturing and sales of the said product. However, there were defects found in the products, resulting in the Company to return them to Unimax for repair. Unimax, on the other hand, refused to comply with the Company's request, which prompted the Company to terminate their agreement and proceeded in filing a lawsuit against Unimax to the Taipei District Court. Furthermore, since Davinci was also involved the case, the Company filed another lawsuit against Davinci to the Taipei District Court on December 12, 2012, demanding for a compensation claim of $41,055 thousand. In addition, the Company provided the amount $7,000 thousand as security after an execution on the ruling on the abovementioned lawsuit against Davinci had been carried out. This case is still in progress as of the issuance of this report.

13. Other disclosures:

(1) Information on significant transactions

The following is the information on significant transactions required by the Regulations for the Group:

A. Loans to other parties: Please refer to Attachment 1.

B. Guarantees and endorsements for other parties: Please refer to Attachment 2.

C. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Attachment 3.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock : Please refer to Attachment 4.

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Attachment 5.

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Attachment 6.

I. Trading in derivative instruments: None

J. Business relationships and significant intercompany transactions: Please refer to Attachment 7.

(2) Name, Location, and related information of investees for the year 2019 (excluding information on investees in Mainland China): Please refer to Attachment 8.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Attachment 9(1).

B. Limitation on investment in Mainland China: Please refer to Attachment 9(2).

C. Significant transactions

The significant inter-Company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "information on significant transactions".

14. Segment information:

(1) General and segment information

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group. The Group's main operating decision makers at least quarterly reviews of the internal management reports of each strategic division. No segment's assets were provide to the operating decision makers, therefore, no disclosure is required of the Group. In addition, the Segment's gains and losses are measured by using the net profit before tax, which are used as a basis for assessing the Segment's performance. The construction of each department in the Group is as follows:

Heat pipe Segment: Includes the related high-tech heat pipe components and Solder balls production and marketing business.

Lighting Segment: Includes LED lighting products and lighting equipment production and marketing business.

Semiconductor Segment: Includes semiconductor packaging wire production and marketing business. In addition, the Group has ended its operating activities. Therefore, there was no relevant income for the year ended December 31, 2019.

(2) The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2019				
	Heat pipe business	**Lighting business**	**Semiconductor business**	**Reconciliation and elimination**	**Total**
Total revenue	$ 1,919,508	326,716	-	(541)	2,245,683
Depreciation and amortization expense	$ 109,418	6,818	-	-	116,236
Segment after tax profit	$ 208,378	17,581	(637)		225,322
Segment assets	$ 3,353,374	282,575	222,979	(981)	3,857,947
Segment liabilities	$ 830,235	76,665	114	(981)	906,033

	For the year ended December 31, 2018				
	Heat pipe business	**Lighting business**	**Semiconductor business**	**Reconciliation and elimination**	**Total**
Total revenue	$ 1,419,622	338,144	149,563	(2,103)	1,905,226
Depreciation and amortization expense	$ 79,136	3,075	215	-	82,426
Segment after tax profit	$ 109,400	15,681	(13,131)	-	111,950
Segment assets	$ 2,528,590	288,405	227,165	(838)	3,043,322
Segment liabilities	$ 193,401	100,296	3,662	(838)	296,521

(3) Corporate information

A. Product and service information

Revenue from the external customers of the Group was as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Heat pipe product	$ 1,919,508	1,419,622
Lighting device	326,175	336,041
Electronic Materials Business/Semiconductor	-	149,563
	$ 2,245,683	1,905,226

B. Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from external customers:		
China	$ 1,872,453	1,425,274
Taiwan	292,193	413,066
Other countries	81,037	66,886
	$ 2,245,683	1,905,226

	December 31, 2019	December 31, 2018
Non-current assets:		
China	$ 1,446,761	726,522
Taiwan	136,304	120,102
	$ 1,583,065	846,624

The above noncurrent assets include property, plant and equipment, intangible assets, and right-of-use asset(accounted as long-term rent prepayments in 2018), not including financial instruments and other noncurrent assets rights.

C. Major customers

The total revenue of the Group is from the important customer amount of the heat pipe business unit:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Shuanghong (and its affiliates)	$ 316,692	336,872
Huaying Electronic	244,645	200,457
	$ 561,337	**537,329**

Yeh Chiang Technology Corporation and its Subsidiaries

Loans to others

From January 1 to December 31, 2019

Attachment 1 (In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the peiod	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reason for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of total financing amount
													Item	Value		
1	The Company	Yeh Chiang Ping Ding Shan	Other receivable - related parties	Yes	44,970	44,970	44,970	0~2%	2	-	Business operation	-	None	-	578,764 (Note1)	1,157,528 (Note2)
1	The Company	Zhongshan Weiqiang	Other receivable - related parties	Yes	442,020	442,020	239,840	0~2%	2	-	Business operation	-	None	-	572,811 (Note1)	1,145,622 (Note2)
1	The Company	Ye Xian Weiqiang	Other receivable - related parties	Yes	152,595	152,595	104,930	0~2%	2	-	Business operation	-	None	-	572,811 (Note1)	1,145,622 (Note2)
1	YCTCC	Yeh Chiang Ping Ding Shan	Other receivable - related parties	Yes	89,940	-	-	0~2%	2	-	Business operation	-	None	-	572,811 (Note1)	1,145,622 (Note2)

Note 1: Limit of financing amount for individual counter-party shall not exceed 20% of latest financial statements of the Company's net assets.
Note 2: Limit of total financing amount shall not exceed 40% of latest financial statements of the Company's net assets.
Note 3: The entry method for the loadning of fund is as follows:

1. For business transaction, please fill in 1.
2. Necessary for short-term financing, please fill in 2.

Note 4: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Yeh Chiang Technology Corporation and its Subsidiaries
Guarantees and endorsements for other parties
From January 1 to December 31, 2019

Attachment 2 (In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note2)	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	The Company	YCTCC	Indirect subsidiary	578,764	14,990 (USD500)	- (USD0)	-	-	0%	1,157,528	Y	N	N
2	The Company	Taiwan Lighting	Subsidiary	578,764	180,000	180,000	-	-	6%	1,157,528	Y	N	N
3	The Company	Excel Rainbow	Subsidiary	578,764	59,960 (USD2,000)	59,960 (USD2,000)	-	-	2%	1,157,528	Y	N	N
4	The Company	So Bright Electronic	Subsidiary	578,764	170,000	170,000	25,000	-	6%	1,157,528	Y	N	N
					424,950	409,960	25,000						

Note 1: The amount of endorsements/ guarantees for any single entity shall not exceed 20% of latest financial statements of the Company’s net assets audited.
Note 2: Limit of total endorsed/ guaranteed amount shall not exceed 40% of latest financial statements of the Company’s net assets audited.
Note 3: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Yeh Chiang Technology Corporation and its Subsidiaries

Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures)

December 31, 2019

Attachment 3

(In Thousands of New Taiwan Dollars) / Thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
	Fund:								
The Company	Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	1,059	13,355	-	13,355		
The Company	Union Money Market Fund	〃	〃	4,977	65,969	-	65,969		
The Company	Eastspring Investments Well Pool Money Market Fund	〃	〃	866	11,824	-	11,824		
The Company	Yuanta De-Li Money Market Fund	〃	〃	1,855	30,369	-	30,369		
The Company	Capital Money Market Fund	〃	〃	1,347	21,812	-	21,812		
The Company	Franklin Templeton Sinoam Money Market Fund	〃	〃	978	10,155	-	10,155		
Taiwan Lighting	Union Money Market Fund	〃	〃		50,363	-	50,363		
					203,827		203,827		
	Stock:								
The Company	Common stock of ASUSTeK Computer Inc.	None	Non-current financial assets at fair value through other comprehensive income	133	30,725	-	30,725		
The Company	Common stock of Song Long Electronics Co., Ltd	〃	〃	300	13,214	18.75	13,214	18.75	
The Company	Common stock of Pegatron Corporation	〃	〃	293	20,028		20,028		
The Company	Common stock of Powerchip Technology Coporation	〃	〃	766	17,181	-	17,181		
					81,148		81,148		

Yeh Chiang Technology Corporation and its Subsidiaries

Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock

From January 1 to December 31, 2019

Attachment 4 (In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information References for determining price				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Ye Xian Weiqiang	Building	2017/1/4~2019/12/11	356,335	According to the progress of the project	SaiWei Garden and Jin Jian Long Cheng etc.	-	-	-	-	-	Bargain	own use	-

Yeh Chiang Technology Corporation and its Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

From January 1 to December 31, 2019

Attachment 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes / Trade receivables (payables)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment terms	Unit price	Payment terms	Ending balance	Notes / Trade receivables (payables)	
Excel Rainbow	The Company	Parent Company	Sales	758,809 (USD24,545)	100%	Open account 90 days	No significant different		27,725 (USD925)	100%	Note 1
Yeh Chiang Ping Ding Shan	Excel Rainbow	Subsidiary of The Company	Sales	51,664 (USD16,518)	54%	Open account 90 days	No significant different		7,098 (USD237)	4%	Note 1
Yeh Chiang Ping Ding Shan	Zhongshan Weiqiang	Subsidiary of The Company	Sales	435,061 (USD97,268)	46%	Open account 90 days	No significant different		170,030 (USD39,496)	96%	Note 1
Zhongshan Weiqiang	Excel Rainbow	Subsidiary of The Company	Sales	248,145 (USD8,027)	19%	Open account 90 days	No significant different		27,297 (USD911)	5%	Note 1
Ye Xian Weiqiang	Yeh Chiang Ping Ding Shan	Subsidiary of The Company	Sales	242,767 (USD54,276)	99%	Open account 90 days	No significant different		128,728 (USD29,902)	98%	Note 1

Note 1: The relevant transactions and ending balance are eliminated in consolidated financial statement.
Note 2: Assets and revenue were recognized by company in one-way.

Yeh Chiang Technology Corporation and its Subsidiaries

Receivables from related parties with amounts exceeding the lower of NT100 million or 20% of capital stock

From January 1 to December 31, 2019

Attachment 6 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance	Note
					Amount	Action taken			
The Company	Zhongshan Weiqiang	Subsidiary of the Company	USD$8,000	-	-	-	-	-	
The Company	Ye Xian Weiqiang	Subsidiary of the Company	USD$3,500	-	-	-	-	-	
Yeh Chiang Ping Ding Shan	Zhongshan Weiqiang	Subsidiary of the Company	CNY 39,496	4.11	-	-	CNY 6,000	-	
Ye Xian Weiqiang	Yeh Chiang Ping Ding Shan	Subsidiary of the Company	CNY 29,902	3.11	-	-	-	-	

Note: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Yeh Chiang Technology Corporation and its Subsidiaries
Business relationships and significant intercompany transactions
From January 1 to December 31, 2019

Attachment 7

(In Thousands of New Taiwan Dollars)

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Zhongshan Weiqiang	1	Other receivables - related parties	239,840	-	11%
0	The Company	Ye Xian Weiqiang	1	Other receivables - related parties	104,930	-	5%
0	The Company	Yeh Chiang Ping Ding Shan	1	Other receivables - related parties	44,970	-	2%
1	Excel Rainbow	The Company	2	Sales	758,809	Open account 90 days	34%
1	Excel Rainbow	The Company	2	Trade receivables - related-party	27,725	Open account 90 days	1%
2	Zhongshan Weiqiang	Excel Rainbow	3	Sales	248,145	Open account 90 days	11%
2	Zhongshan Weiqiang	Excel Rainbow	3	Trade receivable-related-party	27,297	Open account 90 days	1%
3	Ye Xian Weiqiang	Yeh Chiang Ping Ding Shan	3	Sales	242,767	Open account 90 days	11%
3	Ye Xian Weiqiang	Yeh Chiang Ping Ding Shan	3	Trade receivable-related-party	128,728	Open account 90 days	3%
4	Ping Ding Shan Yeh Chiang	Zhongshan Weiqiang	3	Sales	435,061	Open account 90 days	19%

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of consolidated total operating revenues or total assets
4	Ping Ding Shan Yeh Chiang	Zhongshan Weiqiang	3	Trade receivable-related-party	170,030	Open account 90 days	4%
4	Ping Ding Shan Yeh Chiang	Excel Rainbow	3	Sales	510,664	Open account 90 days	23%

Note 1: The information of number are as follow：

1. The number 0 represents the parent company.
2. The subsidiaries are numbered in order from number 1.

Note 2: The types of relationships with traders are as follows:

1. The parent company to the subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to the subsidiary.

Note 3: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Note 4: The transactions with an amount incurred from Sales, Account receivable and other receivable of more than 1% of the operating revenue or assets.

Yeh Chiang Technology Corporation and its Subsidiaries

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China)

From January 1 to December 31, 2019

Attachment 8 (In Thousands of New Taiwan Dollars) / Thousand shares

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2019			Highest percentage of ownership during the year	Net income (loss) of investee	Share of profits / losses of investee	Note
				December 31,2019	December 31,2018	Shares (In thousands)	Percentage of ownership	Carrying value				
The Company	YCTSC	Samoa	Overseas investment activities	1,194,737 (USD38,082)	1,335,925 (USD42,582)	2,007	100.00%	1,315,278 (USD43,872)	100.00%	198,757 (USD6,429)	198,757 (USD6,429)	
The Company	YCTBC	B.V.I.	International trade	73,333 (USD2,557)	73,333 (USD2,557)	2,406	100.00%	10,675 (USD356)	100.00%	(10) (USD -)	(10) (USD -)	
The Company	Excel Rainbow	Seychelles	International trade	70,520 (USD2,155)	70,520 (USD2,155)	2,155	100.00%	4,327 (USD144)	100.00%	680 (USD22)	680 (USD22)	
The Company	Arcadia Tech	Taipei City	Sales and manufacturing of Bioethanol	55,000	55,000	5,500	100.00%	56,589	100.00%	460	460	
The Company	Taiwan Lighting	Taipei City	Lighting facilities	176,110	176,110	17,611	100.00%	164,630	100.00%	10,146	10,146	
The Company	So Bright Electronic	Taoyuan City	Lighting facilities	63,904	63,904	6,390	60.29%	24,886	60.29%	7,434	4,614	
The Company	Yu Cheng Materials	Taipei City	Sales and manufacturing of electronic parts and components	136,784	136,784	13,678	81.80%	182,352	81.80%	(578)	(473)	
The Company	Taiwan New Thermal System	Taichung City	Sales and manufacturing of heat pipes	68,000	28,000	5,448	99.06%	39,092	99.06%	(14,614)	(14,372)	
								1,797,829		202,275	199,802	

Name of investor	Name of investee	Location	Main Businesses and Products	Original investment amount		Balance as of December 31, 2019			Highest percentage of ownership during the year	Net income (loss) of investee	Share of profits / losses of investee	Note
				December 31,2019	December 31,2018	Shares (In thousands)	Percentage of ownership	Carrying value				
YCTSC	YCTCC	Cayman	Overseas investment activities	USD23,828 (Note1)	USD28,828 (Note1)	1,244	100.00%	854,679 (USD28,508)	100.00%	142,480 (USD4,609)	142,480 (USD3,689)	
YCTSC	YCTYXCC	Cayman	Overseas investment activities	USD13,760	USD13,760	688	100.00%	445,919 (USD14,874)	100.00%	56,356 (USD1,823)	56,356 (USD1,823)	

Note 1: The shares of profits/losses of the investee company have been included in the share of profit/losses of investor company.
Note 2: The original investment cost included cash investment US$6,521 thousand and equipment investment US$17,307 thousand.
Note 3: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Yeh Chiang Technology Corporation and its Subsidiaries

Information on investment in Mainland China

From January 1 to December 31, 2019

Schedule 9(1)

(a) The names of investees in Mainland China, the main business and product, and other information：

(In Thousands of New Taiwan Dollars)

Investor Company	Name of investee	Main Business and Products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (loss) (Note3)	Book value	Accumu-lated remittance of earnings in current period
						Out-flow	Inflow						
YCTCC	Zhongshan Weiqiang	Sales and manufacturing of heat pipes and BGA	584,613 (USD19,500)	Note1	584,613 (USD19,500)	-	-	584,613 (USD19,500)	76,119 (USD2,462)	100%	85,660 (USD2,771)	578,747 (USD19,304)	-
YCTCC	ZhuHai Weiqiang	Sales and manufacturing of heat pipes and bumpping	14,990 (USD500)	Note1	74,950 (USD2,500)	-	59,960 (USD2,000)	14,990 (USD500)	(3,509) (USD(114))	100%	(3,509) (USD(114))	16,569 (USD553)	-
YCTCC	Yeh Chiang Ping Ding Shan	Sales and manufacturing of heat pipes	149,900 (USD5,000)	Note1	149,900 (USD5,000)	-	-	149,900 (USD5,000)	55,663 (USD1,801)	100%	55,600 (USD1,798)	210,001 (USD7,005)	-
YCTYXCC	Ye Xian Weiqiang	Sales and manufacturing of heat pipes	412,525 (USD13,760)	Note1	412,525 (USD13,760)	-	-	412,525 (USD13,760)	56,440 (USD1,826)	100%	56,455 (USD1,826)	446,231 (USD14,884)	-

Schedule 9(2)

(a) Limitation of investments in Mainland China：

Accumulated Investment in Mainland China as of December 31, 2019	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
1,162,028(US$38,760 thousand)	1,289,140 (US$43,000 thousand)	1,736,293

Note 1: Investment in companies in Mainland China through YCTSC in the third regions.

Note 2: The investment income (loss) recognition denominated in foreign currencies are translated into New Taiwan Dollars using the average rates at 30.915 from January 1 to December 31, 2019; Other investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rate at 29.98.

Note 3: The financial statements of the Company were audited by the Taiwan parent company audit team.

Note 4: The relevant transactions and ending balance are eliminated in consolidated financial statement.