NIKO SEMICONDUCTOR CO., LTD.PARENT COMPANY ONLY FINANCIALSTATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS DECEMBER 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Auditor's Report

Board of Directors of Niko Semiconductor Co., Ltd.:

Audit opinions

The Balance Sheet of Dec. 31, 2018 and Dec. 31, 2019, and Statement of Comprehensive income, Statement of Changes in Equity and Statement of Cash Flows, and individual Financial Reports annotations (including summary of major accounting policies) from Jan. 1 to Dec. 31 of 2018 and 2019 of Niko Semiconductor Co., Ltd. have been audited by the accountant.

According to the accountant's opinions, the individual Financial Reports are prepared according to the preparation standards of Financial Reports of securities issuer in all the major aspects based on the accountant's audit results and other accountants' audit reports (please refer to the section of other matters), which are sufficient to fairly reflect the financial status of Niko Semiconductor Co., Ltd. on Dec. 31 of 2018 and 2019 and financial performance and cash flows of the company from Jan. 1 to Dec. 31 of 2018 and 2019.

Basis for audit opinions

The accountant carries out audit work according to the rules of accountant's audit certificate of financial statements and generally accepted auditing standards. The accountant's responsibilities under the standards will be further explained in the responsibility section when the accountant audits the individual Financial Reports. In accordance with the code of professional ethics for accountants, the personnels of the accounting firm who are subject to the code of independence have maintained their independence from Niko Semiconductor Co., Ltd. and fulfilled other responsibilities of the code. Based on the accountant's audit results and other accountants' audit reports, the accountant believes that the accountant has obtained sufficient and appropriate audit evidences as basis for audit opinions.

Other matters

The partial investment Financial Reports adopted with equity method listed into the Niko Semiconductor Co., Ltd. in 2019 have not been audited by the accountant and they are audited by other accountants. Therefore, among the accountant's opinions on individual Financial Reports, the amount listed aiming at the Financial Reports not audited by the accountant is based on the audit reports of other accountants. The aforementioned investment by equity method listed on Dec. 31, 2019 accounts for 3% of total assets and the company's profit share of investment by equity method listed from Jan. 1 to Dec. 31 of 2019 accounts for 3% of net profit before tax.

Key audit matters

Key audit matters refer to the most important matters to the audit of individual Financial Reports of Niko Semiconductor Co., Ltd. in 2019 according to the professional judgment of the accountant. The matters have been response in the process of auditing the overall individual Financial Reports and forming audit opinions. The accountant does not separately express opinions on the matters. The key audit matters which shall be shown on the audit report according to the accountant's judgment are as follows:

Inventory evaluation

Please see details about the accounting policies related to inventory in individual Financial Reports annotation IV (VII); please see details about uncertainty of the accounting estimate and hypothesis of inventory evaluation in individual Financial Reports annotation V; please see details about inventory and related loss in individual Financial Reports annotation VI (IV).

Instructions on the key audit matters:

Inventory is measured by the lower of cost and net realizable value. Because technology changes rapidly, update of new products and technology affects market demand. It might generate the risk that inventory cost exceeds its net realizable value. Because the available for sale of inventory will affect its value evaluation and continuous attention is required. Inventory is the important asset item of individual Financial Reports. Therefore, inventory evaluation is one of the important matters that the accountant audits the Financial Reports of Niko Semiconductor Co., Ltd.

How to response to the matter in audit

The audit works carried out by the accountant include: understand inventory depreciation loss provision policy of Niko Semiconductor Co., Ltd. and check its inventory evaluation has been carried out according to existing accounting policies, including implementation of sampling procedure and check of correctness of inventory ages, analysis on change circumstances of inventory ages in various periods; check of reasonableness of withdrawal of the authority of inventory reserves loss in the past and comparison with the method and hypothesis of current inventory reserves loss estimated to evaluate whether the estimate method and hypothesis of current inventory reserves loss are fair and appropriate. Check the post-term sales status of inventory to evaluate the reasonableness of estimate of inventory reserves evaluation.

Responsibilities of management layer and governance unit on individual Financial Reports

Responsibility of management layer is to prepare the individual Financial Reports with fair and appropriate expression according to the preparation standards of Financial Reports of securities issuer and maintain the necessary internal control related to preparation of individual Financial Reports to ensure that there is no significant misrepresentation caused by fraudulent practices or error in the individual Financial Reports.

When preparing the individual Financial Reports, the responsibility of management layer includes evaluation of sustainable operation ability of Niko Semiconductor Co., Ltd., disclosure of related matters and continuous operation accounting base, unless management layer intends to liquidate Niko Semiconductor Co., Ltd. or stop business, or there are no other feasible solutions except for liquidation or stoppage of business.

Governance unit (including Supervisor) of Niko Semiconductor Co., Ltd. bears the responsibility of supervising the process of financial report.

Accountant's responsibility in audit of individual Financial Reports

The purpose of the accountant's audit of individual Financial Reports is to obtain reasonable assurance about whether the individual Financial Reports exist significant misrepresentation caused by fraudulent practices or error and issue audit report. Reasonable assurance is high assurance. The audit work carried out according to generally accepted auditing standards cannot guarantee to find that individual Financial Reports exist significant misrepresentation. False expression might be caused by fraudulent practices or error. If the individual amount or total number of false expression can reasonably predict the economic decision that will influence the user of consolidated financial statements, then it will be deemed as significance.

When the accountant audits according to generally accepted auditing standards, the accountant will use professional judgment and keep professional doubt. The accountant also carries out the following works:

1. Recognize and evaluate the significant misrepresentation risk of individual Financial Reports caused by fraudulent practices or error; design and implement the appropriate response to the evaluated risk; obtain sufficient and appropriate audit evidences as basis for audit opinions. Because fraudulent practices might involve in collusion, forge, intentional omission, false statement or exceeding internal control, the risk of significant misrepresentation caused by fraudulent practices is not found is higher than that of error.

2. Obtain necessary understanding on the internal control related to audit to design the appropriate audit procedures under the situation. The purpose is not to express opinions on the effectiveness of internal control of Niko Semiconductor Co., Ltd.

3. Evaluate the appropriateness of the accounting policies adopted by management layer and the reasonableness of the accounting estimate and related disclosure made by it.

4. According to the obtained audit evidences, make conclusion on the appropriateness of the continuous operation accounting base adopted by the management layer and whether the event or situation which might generate major doubt about the sustainable operation ability of Niko Semiconductor Co., Ltd. exists major uncertainty or not. If the accountant thinks that the event or situation exists major uncertainty, the accountant shall remind the user of individual Financial Reports to pay attention to the relevant disclosure of individual Financial Reports in the audit report or correct audit opinions when the disclosure belongs inappropriateness. The accountant's conclusion is based on the audit evidences obtained as of audit report date. However, the future event or situation might lead to that the Niko Semiconductor Co., Ltd. will not have sustainable operation ability.

5. Evaluate the overall expression, structure and contents of individual Financial Reports (including relevant annotations) and whether the individual Financial Reports fairly and appropriately express relevant trades and events.

6. Obtain sufficient and appropriate audit evidences about the financial information of the invested company adopting equity method to express opinions on individual Financial Reports. The accountant is responsible for guiding, supervising and implementing the audit case and forming audit opinions of Niko Semiconductor

Co., Ltd.

The matters communicated by the accountant with governance unit include planned audit scope and time and major audit findings (including the internal control significant loss recognized in the process of audit).

The accountant also provides the governance unit with the statement that the personnels of the accounting firm who are subject to the code of independence have abided by the related independence in the code of professional ethics of accountant and communicates with governance unit about all the relations which might be thought to affect the accountant's independence and other matters (including related prevention and protection measures).

The accountant will decide the key audit matters to the audit of individual Financial Reports of Niko Semiconductor Co., Ltd. in 2019 from the matters communicated with governance unit. The accountant will clearly state the matters in the audit report, unless the special matter is forbidden by laws for public disclosure, or under rare situation, the accountant will decide not to communicate the special matter in the audit report, because it can be reasonably expected that the negative impact of this communication will be greater than the public interest.

KPMG Taiwan
Wu, Mei-Pin
Yu, Chi-Lung
Mar. 20, 2020

<u>Notice to Readers</u>

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

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

Niko Semiconductor Co., Ltd.

Balance Sheet

Dec. 31 of 2018 and 2019 Unit: NTD thousand

	Assets	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current assets:				
1100	Cash and equivalent cash (annotation VI (I))	$ 326,491	13	593,052	24
1110	Financial assets at fair value through profits and losses-current(annotation VI (II))	7,676	-	492	-
1170	Net accounts receivable (annotation VI (III))	1,032,597	42	726,473	30
1180	Accounts receivable - net amount of related parties (annotation VI (III) and VII)	67,099	3	94,409	4
1200	Other receivables (annotation VII)	13,282	1	14,980	1
130X	Inventory(annotation VI (IV))	495,139	20	516,405	21
1470	Other current assets	2,048	-	1,940	-
		1,944,332	79	1,947,751	80
	Non-current assets:				
1550	Investment by equity method (annotation VI (V))	99,813	4	96,756	4
1600	Property, plant and equipment (annotation VI (VI) and VIII)	294,127	12	334,232	14
1760	Net investment of property(annotation VI (VII) and VIII)	72,790	3	25,259	1
1780	Intangible assets	85	-	406	-
1840	Deferred income tax assets (annotation VI (X))	17,582	1	10,171	-
1900	Other non-current assets (annotation IX)	20,072	1	10,075	1
		504,469	21	476,899	20
	Total assets	$ 2,448,801	100	2,424,650	100

	Liabilities and equity	2019.12.31 Amount	%	107.12.31 Amount	%
	Current liabilities:				
2170	Notes and accounts payable	$ 336,437	14	473,643	20
2180	Accounts payable-related parties(annotation VII)	14,780	1	36,233	2
2200	Expenses payable and other payables (annotation VII)	138,267	5	120,240	5
2230	Current income tax liabilities	47,156	2	33,713	1
2300	Other current liabilities	4,767	-	1,784	-
		541,407	22	665,613	28
	Non-current liabilities:				
2600	Other non-current liabilities(annotation VI (IX) and (X))	10,176	1	8,361	-
	Total liabilities	551,583	23	673,974	28
3110	Capital stock of common stock(annotation VI (XI))	612,515	25	612,515	25
3200	Capital reserves (annotation VI (XI))	630,512	26	630,512	26
3310	Legal reserves (annotation VI (XI))	129,897	5	114,558	5
3320	Special reserves (annotation VI (XI))	1,850	-	1,351	-
3350	Undistributed earnings (annotation VI (XI))	526,038	21	393,590	16
3410	Exchange differences on the translation of foreign operating organizations	(3,594)	-	(1,850)	-
	Total equity	1,897,218	77	1,750,676	72
	Total liabilities and equity	$ 2,448,801	100	2,424,650	100

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

Niko Semiconductor Co., Ltd.

Consolidated Statements of Comprehensive Income

Jan. 1 to Dec. 31 of 2018 and 2019

Unit: NTD thousand

		2019		2018	
		Amount	%	Amount	%
4000	**Operating income (annotation VI (XIII) and VII)**	$ 2,808,424	100	2,411,112	100
5000	**Operating cost (annotation VI (IV), (IX), (XIV), VII and XII)**	2,200,273	78	1,894,713	79
	Gross operation profit	608,151	22	516,399	21
	Operating expenses (annotation VI (III), (IX), (XIV), VII and XII):				
6100	Sales promotion expenses	125,062	4	118,283	5
6200	Management expenses	123,856	4	116,151	5
6300	R&D expenses	109,479	4	121,545	5
6450	Expected credit impairment loss (profit)	226	-	(214)	-
	Total operating expenses	358,623	12	355,765	15
	Net operating profits	249,528	10	160,634	6
	Non-operating income and expenditure:				
7010	Other income (annotation VI (VIII), (XV) and VII)	3,638	-	3,036	-
7020	Other profit and loss (annotation VI (XV) and (XVI))	(10,263)	-	16,434	1
7050	Financial cost(annotation VI (XV))	-	-	(568)	-
7060	Share of interests of affiliated enterprises recognized by equity method	5,749	-	13,056	1
	Total non-operating income and expenditure	(876)	-	31,958	2
	Net profit before tax	248,652	10	192,592	8
7950	**Minus: income tax expenses (annotation VI (X))**	54,692	2	39,199	2
	Net profit	193,960	8	153,393	6
8300	**Other comprehensive income:**				
8310	**Items not reclassified to profit and loss**				
8311	Remeasurements of defined welfare plans (annotation VI (IX))	(3,497)	-	3,180	-
8349	Income tax related to unclassified items (annotation VI (X))	699	-	(584)	-
		(2,798)	-	2,596	-
8360	**Items that may be reclassified to profit and loss in subsequent periods**				
8361	Exchange differences on the translation of financial statements of foreign operating organizations	(2,180)	-	(692)	-
8399	Income tax related to items that may be reclassified (annotation VI (X))	436	-	193	-
	Total items that may be reclassified to profit and loss in subsequent periods	(1,744)	-	(499)	-
8300	**Other comprehensive income**	(4,542)	-	2,097	-
	Total comprehensive income	$ 189,418	8	155,490	6
	Earnings per share (NTD)(annotation VI (XII))				
	Basic earnings per share (NTD)	$	3.17		2.50
	Diluted earnings per share (NTD)	$	3.11		2.46

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

Niko Semiconductor Co., Ltd.

Statement of Changes in Equity

Jan. 1 to Dec. 31 of 2018 and 2019

Unit: NTD thousand

	Capital stock of common stock	Capital reserves	Retained Earnings			Exchange differences on the translation of foreign operating organizations	Total Equity
			Legal reserves	Special reserves	Undistributed Earnings		
Balance on Jan. 1, 2018	$ 612,515	630,512	105,336	1,193	277,607	(1,351)	1,625,812
Net profit	-	-	-	-	153,393	-	153,393
Other comprehensive income	-	-	-	-	2,596	(499)	2,097
Total comprehensive income	-	-	-	-	155,989	(499)	155,490
Appropriation and distribution of earnings:							
Withdrawn legal reserves	-	-	9,222	-	(9,222)	-	-
Withdrawn special reserves	-	-	-	158	(158)	-	-
Cash dividend of common stock	-	-	-	-	(30,626)	-	(30,626)
Balance on Dec. 31, 2018	612,515	630,512	114,558	1,351	393,590	(1,850)	1,750,676
Net profit	-	-	-	-	193,960	-	193,960
Other comprehensive income	-	-	-	-	(2,798)	(1,744)	(4,542)
Total comprehensive income	-	-	-	-	191,162	(1,744)	189,418
Appropriation and distribution of earnings:							
Withdrawn legal reserves	-	-	15,339	-	(15,339)	-	-
Withdrawn special reserves	-	-	-	499	(499)	-	-
Cash dividend of common stock	-	-	-	-	(42,876)	-	(42,876)
Balance on Dec. 31, 2019	**$ 612,515**	**630,512**	**129,897**	**1,850**	**526,038**	**(3,594)**	**1,897,218**

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

Niko Semiconductor Co., Ltd.

Cash Flows Statement

Jan. 1 to Dec. 31 of 2018 and 2019

Unit: NTD thousand

		2019	2018
Cash flows of business activities:			
Current net profit before tax	$	248,652	192,592
Items of adjustment:			
Income expense loss item			
Depreciation expenses		14,013	11,203
Amortization expenses		321	526
Expected credit impairment loss (reversal benefit)		226	(214)
Net profit of financial assets and liabilities by fair value through profit and loss		(7,184)	(399)
Interest expenses		-	568
Interest income		(883)	(908)
Share of interests of affiliated enterprises recognized by equity method		(5,749)	(13,056)
Other		21,480	(4,611)
Total income expense loss item		22,224	(6,891)
Changes in assets and liabilities related to operating activities:			
Notes receivable		-	6
Accounts receivable		(306,404)	90,666
Accounts receivable-related parties		27,364	75,188
Other receivables		1,698	(2,564)
Inventory		(214)	(76,447)
Other current assets		(108)	(650)
Total net changes in assets related to operating activities		(277,664)	86,199
Notes payable		(11,798)	(1,831)
Accounts payable		(125,408)	259
Accounts payable-related parties		(21,453)	11,779
Other payables		17,141	12,665
Other current liabilities		2,983	(242)
Net defined benefit liabilities		117	310
Total net changes in liabilities related to operating activities		(138,418)	22,940
Total net changes in assets and liabilities related to business activities		(416,082)	109,139
Total items of adjustment		(393,858)	102,248
Cash (outflow) inflow from operations		(145,206)	294,840
Collected interest		883	908
Paid interest		-	(568)
Paid income tax		(47,926)	(6,097)
Net cash (outflow) inflow from operating activities		(192,249)	289,083
Cash flows of investment activities:			
Property, plant and equipment		(21,439)	(13,293)
Increase in deposit		(9,997)	(10,000)
Obtained intangible assets		-	(191)
Net cash outflow from investment activities		(31,436)	(23,484)
Cash flows from financing activities:			
Decrease in short-term borrowings		-	(60,000)
Distribution of cash dividends		(42,876)	(30,626)
Net cash outflow from financing activities		(42,876)	(90,626)
Current (decrease) increase of cash and equivalent cash		(266,561)	174,973
Balance of cash and equivalent cash at the beginning of the period		593,052	418,079
Ending balance of cash and equivalent cash	**$**	**326,491**	**593,052**

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

Niko Semiconductor Co., Ltd.
Notes to Individual Financial Reports
2019 and 2018
(Unless otherwise specified, all amounts are in unit of NT$ thousands)

I. Company evaluation

Niko Semiconductor Co., Ltd. (hereinafter referred to as the Company) was established with the approval of the Ministry of Economy on October 8, 1998. Its original name was Chaoyu Co., Ltd. In April 2001, the Company changed its name to the existing name and registered at 12th floor, No. 368, Gongjian Road, Xizhi District, Xinbei City. The Company's main business are the research, development, design and sales of analog IC that can be applied to communications, computers, computer peripherals, video, power supply and other consumer products. The Company's shares have been listed and traded on Taiwan OTC since August 2007.

II. Date and Procedure of Adoption of Financial Report

This individual financial report was approved and released by the Board of Directors on March 20, 2020.

III. Application of newly issued and revised standards and interpretations

(I) The impact of the newly issued and revised standards and interpretations approved by Financial Supervisory Commission

The Company has fully adopted the IFRS approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) and effective in 2019 to prepare individual financial reports. Relevant newly issued, amended and revised standards and interpretations are listed as follows (in addition, the Company has chosen to apply the amendment of IFRS 9 Prepayment with Negative Compensation earlier than 2018 according to the question and answer set issued by the FCS on December 12, 2017):

Newly issued/amended/revised standards and interpretations	Effective date of issuance by IFRS
IFRS 16 Leasing	January 1, 2019
IFRS 23 Uncertainty of tax treatment	January 1, 2019
IFRS 9 Prepayment with negative compensation	January 1, 2019
IAS 19 Plan revision, reduction or liquidation	January 1, 2019
IAS 28 Long-term interests in affiliated enterprises and joint ventures	January 1, 2019
IFRS 2015-2017 Annual improvement of cycle	January 1, 2019

The application of the newly approved IFRS will not cause significant changes to the individual financial reports.

(II) The impact of not adopting the IFRS approved by the FSC

According to J.G.Z.S.Z.No.1080323028 of July 29, 2019, companies above public offering shall fully adopt the IFRS approved by the Commission from 2020 and effective in 2020. Relevant newly issued, amended and revised standards and interpretations are listed as follows:

Newly issued/amended/revised standards and interpretations	Effective date of issuance by IAS
IFRS 3 Definition of business	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7- Changes in interest rate indicators	January 1, 2020
Amendments to IAS 1 and IAS 8 - Definition of Significant	January 1, 2020

The Company assesses that the application of the above newly approved IFRS will not have a significant impact on individual financial report.

(III) Newly issued and revised standards and interpretations not yet recognized by the FSC

The following table summarizes the standards and interpretations issued and revised by the International Accounting Standards Board (hereinafter referred to as IAS) but not yet approved by the FSC:

Newly issued/amended/revised standards and interpretations	Effective date of issuance by IAS
Amendments to IFRS 10 and IAS 28 Sale or investment of assets between investors and their affiliated enterprises or joint ventures	To be decided by IAS.
IFRS 17 Insurance contracts	January 1, 2021
Amendments to IAS 1 Classify liabilities as current or non-current	January 1, 2022

The Company is continuously evaluating the impact of the above standards and interpretations on the financial status and operating results of the Company, and the related impact will be disclosed when the evaluation is completed.

IV. Summary of Major Accounting Policies

A summary of the major accounting policies adopted in this individual financial report is as follows. Unless otherwise stated, the following accounting policies have been consistently applied to all presentation periods of this individual financial report.

(I) Statement

This individual financial report is prepared in accordance with the Financial Report Standards for Securities Issuers.

(II) Preparation basis

1. Measurement basis

Except for the following important items in the balance sheet, the individual financial report is prepared on the basis of historical cost:

(1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss;

(2) The net defined benefit liabilities (or assets) are measured at the fair value of pension plan assets minus the present value of the defined benefit obligation and the upper limit impact number mentioned in Note 4 (XV).

2. Functional currency and expressive currency

The Company uses the currency of the main economic environment in which each operation is located as its functional currency. The individual financial report is expressed in the functional currency of the Company, namely NT$. All financial information expressed in NT$ is expressed in NT$ thousands.

(III) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies according to the exchange rate of the trading day. On the end date of each subsequent reporting period (hereinafter referred to as the reporting date), foreign currency monetary items are converted into functional currencies according to the exchange rate of that day. Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate at the date of fair value measurement, while foreign currency non-monetary items measured at historical cost are converted at the exchange rate at the date of transaction.

Foreign currency exchange differences arising from conversion are normally recognized in profit or loss, except that the following are recognized in other comprehensive profit or loss:

(1) Designated as equity instruments measured at fair value through other consolidated gains and losses;

(2) Financial liabilities designated as safe havens for net investments of foreign operating institutions are within the effective range of safe havens; Or

(3) Qualified cash flow is within the safe-haven effective range.

2. Foreign operating agencies

Assets and liabilities of foreign operating agencies, including goodwill and fair value adjustments arising from acquisition, are converted into NT$ at the exchange rate at the reporting date; Income and expense items are converted into NT$ at the current average exchange rate, and the resulting exchange differences are recognized as other comprehensive gains and losses.

(4) Classification standard for current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets, while all other assets that are not current assets are classified as non-current assets:

1. It is expected to be realized in the normal business cycle of the Company, or intended to be sold or consumed.
2. Holders mainly for trading purposes.
3. It is expected to be realized within 12 months after the balance sheet date.
4. Cash or cash equivalents, except for those that are exchanged, settled or subject to other restrictions more than 12 months after the balance sheet date.

Liabilities that meet one of the following conditions are classified as current liabilities, while all other liabilities that are not current liabilities are classified as non-current liabilities:

1. It is expected to pay off in the normal business cycle of the Company.
2. Holders mainly for trading purposes.
3. It is expected to be due and settled within 12 months after the balance sheet date.
4. The Company cannot unconditionally extend the liquidation period to at least 12 months after the balance sheet date. The terms of a liability may be settled by issuing equity instruments according to the choice of the counterparty, which does not affect its classification. The terms of a liability may be settled by issuing equity instruments according to the choice of the counterparty, which does not affect its classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refers to short-term and highly liquid investments that can be converted into fixed cash at any time with little risk of value changes. Term deposits that meet the above definition and are held for short-term cash commitments rather than investments or other purposes are reported as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are initially recognized when incurred. All other financial assets and financial liabilities were originally recognized when the Company became a party to the contractual terms of financial instruments. Financial assets that are not measured at fair value through profit or loss (except accounts receivable that do not include significant financial components) or financial liabilities are originally measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance. Accounts receivable that do not include significant financial components are originally measured at transaction prices.

1. Financial assets

Where the purchase or sale of financial assets is in accordance with conventional transactions, the Company shall adopt the transaction date or delivery date accounting treatment for all purchases and sales of financial assets classified in the same way.

Financial assets at the time of initial recognition are classified as: financial assets measured at amortized cost and financial assets measured at fair value through profit or loss. The Company will only classify all affected financial assets from the first day of the next reporting period when it changes its management mode of financial assets.

(1) Financial assets at amortized cost

Financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss are measured at amortized cost:

·This financial asset is held under an operating mode aimed at collecting contractual cash flow.

·The contractual terms of the financial asset generate a cash flow on a specific date, which is entirely interest on the principal paid and the principal in circulation.

The accumulated amortization amount of these assets calculated by the effective interest method is subsequently calculated based on the original recognized amount plus or minus, and the amortized cost measurement of any allowance loss is adjusted. Interest income, foreign currency exchange gains and losses and impairment losses are recognized in gains and losses. The interests or losses will be included in the profits and losses when derecognition.

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

Financial assets not measured at amortized cost or at fair value through other comprehensive gains and losses are measured at fair value through gains and losses, including derivative financial assets. At the time of initial recognition, in order to eliminate or significantly reduce improper accounting matching, the Company may irrevocably designate financial assets that meet the conditions of fair value measurement through amortized cost or through other comprehensive profits and losses as financial assets measured at fair value through profits and losses.

These assets are subsequently measured at fair value and their net benefits or losses (including any dividend and interest income) are recognized as profit or loss.

(3) Impairment of financial assets

The Company recognizes allowance losses for expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, other receivables, deposits and other financial assets, etc.).

The following financial assets are measured as allowance losses according to the expected credit loss amount for 12 months, while the rest are measured according to the expected credit loss amount during their existence:

The credit risk of bank deposits (i.e. the risk of default during the expected life of financial instruments) has not increased significantly since the original recognition.

The allowance loss of accounts receivable is measured by the expected credit loss amount during its existence.

Expected credit loss during the duration refers to the expected credit loss arising from all possible defaults during the expected duration of the financial instrument.

The 12-month expected credit loss refers to the expected credit loss caused by possible default of financial instruments within 12 months after the reporting date (or a shorter period if the expected duration of financial instruments is shorter than 12 months).

The longest period during which the expected credit loss is measured is the longest contract period during which the Company is exposed to credit risk.

In determining whether the credit risk has increased significantly since the original recognition, the Company shall consider reasonable and verifiable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and analysis based on the merged company's historical experience, credit evaluation and forward-looking information.

If the contract payment is overdue for more than 30 days, the Company assumes that the credit risk of financial assets has increased significantly.

If the contract payment is overdue for more than 180 days, or the borrower is unlikely to fulfill its credit obligation to pay the full amount to the Company, the Company shall consider the financial asset to be in default.

The expected credit loss is the probability weighted estimate of the credit loss during the expected life of the financial instrument. Credit loss is measured by the present value of all short cash receipts, that is, the difference between the cash flow that the Company can receive under the contract and the cash flow that the Company expects to receive. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the Company evaluates financial assets at amortized cost. When one or more events that have a negative impact on the estimated future cash flow of a financial asset have occurred, the financial asset has lost credit. Evidence of credit impairment of financial assets includes observable data on the following matters:

Major financial difficulties of the borrower or issuer;

Breach of contract, such as delay or overdue for more than 180 days;

Due to economic or contractual reasons related to the borrower's financial difficulties, the Company gives concessions that the borrower would not have considered.

The borrower is likely to file for bankruptcy or other financial restructuring. Or

Due to financial difficulties, the active market for this financial asset disappeared.

Allowance losses for financial assets measured at amortized cost are deducted from the book value of the asset.

When the Company cannot reasonably expect the whole or part of the recovered financial assets, it will directly reduce the total book value of its financial assets. The Company analyzes the timing and amount of write-off on the basis of reasonable expectation of recovery. The Company does not expect significant reversal of the amount already written off. However, the financial assets that have been written off can still be enforced to comply with the procedures of the Company for recovering overdue amounts.

(4) Derecognition of financial assets

The Company will only derecognize financial assets when the contractual rights to cash flow from the assets are terminated, or financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises, or almost all risks and rewards of ownership have not been transferred or retained and control of the financial assets has not been retained.

If the Company signs the transaction of transferring financial assets and retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Liabilities and equity instruments issued by the Company are classified as financial liabilities or equity according to the essence of the contract agreement and the definitions of financial liabilities and equity instruments.

Equity instruments refer to any contract that recognizes the Company's residual equity after deducting all its liabilities from its assets. Equity instruments issued by the Company are recognized at the amount obtained less direct issue costs.

(2) Financial liabilities

Financial liabilities are classified as amortised costs or measured at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives or designated at the time of original recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and related net benefits and losses, including any interest charges, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in profit or loss. Any benefits or losses other than those listed are also recognized in profit or loss.

(3) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligations have been fulfilled, cancelled or expired. When the terms of financial liabilities are modified and the cash flows of the modified liabilities are significantly different, the original financial liabilities shall be excluded and the new financial liabilities shall be recognized at fair value on the basis of the modified terms.

Except for financial liabilities, the difference between the book amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

(4) Offset between financial assets and liabilities

Financial assets and financial liabilities shall be offset and expressed in net amount in the balance sheet only when the Company currently has legally enforceable rights to offset each other and has the intention to settle the assets with net amount or realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

The Company holds derivative financial instruments to avoid exposure to foreign currency and interest rate risks.

Derivative instruments are initially recognized at fair value; Subsequent measurement is based on fair value, and the resulting benefits or losses are directly included in profit or loss.

(VII) Inventory

Inventories are measured by the lower of cost and net realized value. Costs include acquisition, production or processing costs and other costs incurred in bringing it to a usable location and condition, and are calculated by the weighted average method.

The net realized value refers to the balance of the estimated selling price under normal operation less the estimated cost of the investment required to complete the project and the estimated cost required to complete the sale.

(VIII) Investment in subsidiaries

In preparing the individual financial report, the Company adopts the equity method to evaluate the invested companies with control. Under the equity method, the current profits and losses of individual financial reports and other comprehensive profits and losses are the same as the apportionment of the current profits and losses and other comprehensive profits and losses attributable to the owners of the parent company in the financial reports prepared on the consolidated basis, and the owners' rights and interests of individual financial reports are the same as those attributable to the owners of the parent company in the financial reports prepared on the consolidated basis.

Changes in the Company's ownership rights and interests in subsidiaries that do not result in loss of control shall be treated as equity transactions with the owners.

(IX) Investing property

Investing property is initially measured by cost, and subsequently measured by cost minus accumulated depreciation and accumulated impairment. Its depreciation method, useful life and residual value shall be treated according to the regulations of property, plant and equipment.

The disposal profits or losses of investing property (calculated as the difference between the net disposal price and the book value of the project) are recognized in profit or loss.

Rental income from investing property is recognized as other income on a straight-line basis during the lease period. The incentive to lease is recognized as part of the lease income during the lease period.

(X) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment items are measured at cost (including capitalized borrowing costs) minus accumulated depreciation and any accumulated impairment.

If the useful life of major components of property, plant and equipment is different, it shall be treated as a separate item (major component) of property, plant and equipment.

Profits or losses attributable to property, plant and equipment are recognized in profit or loss.

2. Follow-up costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated based on the cost of assets minus residual value and recognized in profit or loss over the estimated useful life of each component using the straight-line method.

Land is not depreciated.

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

(1) Houses and buildings: 3~50 years

(2) Office and other equipment: 2~8 years

The Company shall review the depreciation method, useful life and residual value at the end of each financial year and make appropriate adjustments if necessary.

(XI) Leasing

It came into effect on January 1, 2019

1. Judgment of lease

The Company evaluates whether the contract is or includes a lease on the date of establishment of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is or includes a lease. In order to evaluate whether the contract is a lease, the Company evaluates the following items:

(1) The contract involves the use of an identified asset, which is explicitly specified in the contract or implicitly specified when it is available for use. The entity can distinguish or represent substantially all production capacity. If the supplier has the substantive right to replace the asset, the asset is not an identified asset; And

(2) Having the right to obtain almost all economic benefits from the use of identified assets throughout the use period; And

(3) Acquiring the right to dominate the use of identified assets when one of the following conditions is met:

·The customer has the right to dominate the usage and purpose of the identified assets throughout the use period.

·Relevant decisions regarding the use method and purpose of the asset are predetermined and:

–The customer has the right to operate the asset during the whole use period, and the supplier has no right to change the operation instructions; Or

–The customer's way of designing the asset has already determined in advance the use method and purpose of the asset throughout its use period.

2. Lessee

The Company recognizes the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are originally measured by cost, which includes the original measured amount of the lease liabilities, adjusts any lease payments paid on or before the lease commencement date, and adds the original direct costs incurred and the estimated costs for dismantling, removing and restoring the subject assets at their location or subject assets, minus any lease incentives received.

The right-of-use assets is subsequently depreciated on a straight-line basis from the lease start date to the expiration of the useful life of the right-of-use asset or the earlier of the lease term. In addition, the Company regularly evaluates whether the right-of-use assets are impaired and processes any impairment losses that have occurred, and adjusts the right-of-use assets in coordination with the re-measurement of the lease liabilities.

Lease liabilities are originally measured by the present value of lease payments that have not been paid on the lease commencement date. If the implied interest rate of the lease is easy to determine, the discount rate is the interest rate; if it is not easy to determine, the increased borrowing rate of the merged company is used. Generally speaking, the Company adopts its increased borrowing rate as the discount rate.

Rental payments measured as rental liabilities include:

(1) Fixed payment, including substantial fixed payment;
(2) The lease payment depends on the change of a certain index or rate, and the index or rate on the lease start date is used as the original measurement;

The lease liabilities are accrued with the effective interest method, and the amount is measured when:

(1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
(2) The estimation of whether to exercise the option of extension or termination is changed, and the estimation of lease period is changed;
(3) Amendment of the lease object, scope or other terms.

When the lease liability is re-measured due to the above-mentioned index or rate changes used to determine the lease payment and the evaluation changes of purchase, extension or termination options, the book amount of the right-to-use asset shall be adjusted accordingly, and when the book amount of the right-to-use asset is reduced to zero, the remaining re-measured amount shall be recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the book amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between it and the re-measured amount of the lease liability is recognized in profit or loss.

For short-term lease of transportation equipment and parking space lease and lease of low-value target assets, the Company chooses not to recognize the right-of-use assets and lease liabilities, but recognizes the relevant lease payments as expenses on a straight-line basis during the lease period.

3. Lessor

For transactions in which the Company is the lessor, the lease contract is classified on the date of establishment of the lease according to whether it transfers almost all risks and rewards attached to the ownership of the underlying asset. If it is classified as a financial lease, otherwise it is classified as an operating lease. In the evaluation, the Company shall consider specific indicators such as whether the lease period covers the major part of the economic life of the underlying asset. For operating leases, the Company adopts a straight-line basis to recognize the lease payments received as rental income during the lease period.

<u>Applicable before January 1, 2019</u>

1. Lessor

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

2. Lessee

Leased assets of operating leases are not recognized in the Company’s balance sheet.

Rental payments for operating leases (excluding service costs such as insurance and maintenance) are recognized as expenses on a straight-line basis during the lease period.

(XII) Intangible assets

Intangible assets acquired by the Company with a useful life are measured by cost minus accumulated amortization and accumulated impairment. Subsequent expenditures can only be capitalized if they can increase the future economic benefits of the relevant specific assets. All other expenditures are recognized in profit or loss when incurred. Amortization is calculated based on the cost of the asset minus the estimated residual value, and is recognized in profit or loss over its estimated useful life on a straight-line basis from the time it is available for use.

The useful life of computer software is 3-10 years.

At least at the end of each financial year, the Company will review the amortization method, useful life and residual value of intangible assets and adjust them as appropriate.

(XIII) Impairment of non-financial assets

On each reporting day, the Company evaluates whether there is any indication that the book value of non-financial assets (except inventory, contract assets and deferred tax assets) may be impaired. If there is any indication, the recoverable amount of the asset is estimated.

For the purpose of impairment test, a group of assets whose cash inflow is mostly independent of cash inflow of other individual assets or asset groups is taken as the minimum identifiable asset group.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit minus disposal costs and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the book amount, the book amount of the individual asset or cash-generating unit is adjusted to the recoverable amount and impairment loss is recognized. Impairment losses are recognized immediately in current profits and losses.

Goodwill impairment loss will not be reversed. Non-financial assets other than goodwill are reversed only to the extent that they do not exceed the carrying amount (less depreciation or amortization) that would have been determined if the asset had not recognized impairment losses in the previous year.

(XIV) Recognition of revenue

1. Revenue from customer contracts

Revenue is measured by the consideration expected to be earned from the transfer of goods. The Company recognizes revenue when the control over goods or services is transferred to the customer to meet the performance obligations. The Company’s main revenue items are as follows:

(1) Selling commodities

The Company recognizes revenue when the control over products is transferred. The controlled transfer of the product means that the product has been delivered to the customer, the customer can completely decide the sales channel and price of the product, and there is no outstanding obligation that will affect the customer to accept the product. Delivery occurs when the product is transported to a specific location, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the product according to the sales contract, the acceptance terms have expired, or the Company has objective evidence that all the acceptance conditions have been met.

The Company recognizes accounts receivable when delivering goods, because the Company has the right to unconditionally receive consideration at that time.

(2) Financial components

The Company expects that the time interval between the transfer of goods from all customer contracts to customers and the payment of goods by customers will not exceed one year. Therefore, the Company does not adjust the monetary time value of the transaction price.

(XV) Employee welfare

1. Determine the allocation plan

It is confirmed that the obligation to allocate the plan is recognized as employee benefit expense under profit or loss during the service period.

2. Determine the welfare plan

The Company’s net obligation to determine the welfare plan is calculated by converting the future benefit amount earned by the employees during the current or previous periods into the present value for each benefit plan respectively, and deducting the fair value of any planned assets.

The defined welfare obligation shall be determined annually by a qualified actuary using the projected unit welfare method. When the results of the calculation may be beneficial to the merged company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of refunding the contribution from the plan or reducing the future contribution to the plan. The present value of economic benefits is calculated taking into account any minimum funding requirements.

The remeasurement of net defined benefit liabilities (assets), including actuarial gains and losses, planned asset returns (excluding interest) and any changes in the asset cap impact (excluding interest), are recognized under other comprehensive income and accumulated in retained earnings. The net interest expense (income) of the Company's net determined welfare liabilities (assets) is the net determined welfare liabilities (assets) and discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses for confirming the welfare plan are recognized in profit or loss.

When the plan is revised or reduced, the amount of welfare changes related to the cost of previous services or reduced benefits or losses will be recognized as profit or loss immediately. When liquidation occurs, the Company recognizes the liquidation profit and loss of the defined benefit plan.

3. Short-term employee welfare

Short-term employee welfare obligations are recognized as expenses when services are provided. If the Company has a current legal or constructive payment obligation due to past service provided by employees, and the obligation can be reliably estimated, the amount will be recognized as a liability.

(XVI) Tax

Tax includes current and deferred tax. Except for items related to business combination, directly recognized in equity or other comprehensive income, current tax and deferred tax shall be recognized in profits and losses.

The current tax includes the expected payable tax or tax rebate receivable calculated on the basis of the taxable income (loss) for the current year, and any adjustment to the payable tax or tax rebate receivable for the previous year. The amount is the best estimate of the amount expected to be paid or received based on the statutory tax rate at the reporting date or the tax rate of substantive legislation after reflecting the uncertainty (if any) related to tax.

Deferred tax is recognized by measuring temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognized for temporary differences arising from:

1. Assets or liabilities originally recognized for transactions that are not business combinations, and which do not affect accounting profits and taxable income (losses) at the time of the transaction;

Due to temporary differences arising from investments in subsidiaries, related enterprises and equity joint ventures, the Company can control the timing of reversal of temporary differences and is likely not to reverse in the foreseeable future; as well as

3. Taxable temporary differences arising from the original recognition of goodwill.

Deferred tax is measured by the tax rate when the expected temporary difference is reversed and is based on the statutory tax rate or substantive legislative tax rate at the reporting date.

Deferred tax assets and deferred tax liabilities will only be offset against each other when the Company meets the following conditions:

1. With the legal enforcement power to offset the current tax assets and current tax liabilities; And
2. Deferred tax assets and deferred tax liabilities are related to one of the following tax entities subject to tax levied by the same tax authority:
   (1) Same taxpayer; Or
   (2) Different taxpayers intend to settle the current tax liabilities and assets on a net basis or to realize both assets and liabilities at the same time in each future period when the deferred tax assets with significant amounts are expected to be recovered and the deferred tax liabilities are expected to be settled.

Unused tax losses and unused tax credits are recognized as deferred tax assets to the extent that it is probable that future taxable revenue will be available for use and temporary differences can be deducted. On each reporting day, it will be reevaluated and the relevant tax benefits will be reduced to the extent not likely to be realized. Or to reverse the reduced amount to the extent that it is likely to have sufficient taxable revenue.

(XVII) Earnings per share

The Company lists the basic and diluted earnings per share attributable to the common share holders of the Company. The Company's basic earnings per share are calculated by dividing the profit and loss attributable to the holders of the Company's common share by the weighted average number of common shares outstanding in the current period. Diluted earnings per share are calculated by adjusting the profit and loss attributable to the holders of common shares of the Company and the weighted average number of outstanding common shares, respectively, after adjusting the impact of all potential diluted common shares.

(XVIII) Department information

The Company has disclosed department information in the consolidated financial report, so the individual financial report does not disclose such information.

V. Major Sources of Uncertainty in Major Accounting Judgments, Estimates and Assumptions

Management must make judgments, estimates and assumptions when preparing this consolidated financial report in accordance with the preparation standards and IFRS recognized by the FSC, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Management continuously reviews estimates and basic assumptions, and changes in accounting estimates are recognized in the period of change and the affected future periods.

This individual financial report does not involve any material judgment.

For the uncertainty of assumptions and estimates, there are significant risks that may cause significant adjustments in the following year.

Evaluation of inventories

Since inventory must be measured by the lower of cost and net realized value, the Company evaluates the amount of inventory due to normal wear and tear, obsolescence or no market sales value on the reporting date and reduces the cost of inventory to net realized value. This inventory evaluation is mainly based on the product demand in a specific period in the future, so major changes may occur due to rapid industrial changes.

The accounting policies and disclosures of the Company include the fair value measurement of its financial, non-financial assets and liabilities. The financial department personnel of the Company are responsible for independent fair value verification, making the evaluation results close to the market state through independent source data, confirming that the data sources are independent, reliable, consistent with other resources and representative of the executable price, and regularly calibrating the evaluation model, conducting backtesting, updating the input values and data required by the evaluation model and any other necessary fair value adjustments to ensure that the evaluation results are reasonable.

When measuring its assets and liabilities, the Company shall use market observable input values as far as possible. The level of fair value is classified as follows based on the input value used in the evaluation technology:

(I) Level 1: Public quotations (unadjusted) of the same assets or liabilities in the active market.

(2) Level 2: Except for the public quotation included in Level 1, the input parameters of assets or liabilities are directly (i.e. price) or indirectly (i.e. derived from price) observable.

(3) Level 3: Input parameters of assets or liabilities are not based on observable market data (non-observable parameters).

If there is a transfer or circumstance between different levels of fair value, the merged company recognizes the transfer on the reporting date.

Please refer to Note 6 (XVI) for information on the assumptions used to measure fair value.

VI. Description of Important Accounting Items

(I) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and petty cash	$ 192	131
Check deposits and demand deposits	326,299	592,921
	$ 326,491	593,052

Please refer to Note 6 (XVI) for interest rate risk and sensitivity analysis of financial assets and liabilities of the Company.

(II)Financial assets (liabilities) measured at fair value through profit or loss

	December 31,2019	December 31,2018
Non-hedging derivative instruments		
Exchange transaction contract	$ 7,676	492

As at December 31, 2019 and 2018, the details of derivative instruments of financial assets held for trading due to the non-application of hedge accounting are as follows:

December 31, 2019

Derivative financial commodities	Nominal principal (NT$ thousands)	Maturity date	Delivery rate
Exchange transaction contract -NT$ in/US$ out	US$ 31,150	109.01.03~109.01.22	30.164~30.488
Exchange transaction contract -US$ in/NT$ out	US$ 6,190	109.01.30~109.01.31	30.080~30.433

December 31, 2018

Derivative financial commodities	Nominal principal (NT$ thousands)	Maturity date	Delivery rate
Exchange transaction contract -NT$ in/US$ out	US$ 4,900	108.01.09~108.01.22	30.747~30.810

2. Please refer to Note 6 (XVI) for details of credit, currency and interest rate exposures related to the above financial instruments.

(III) Bills receivable and accounts receivable (including related parties)

	December 31, 2019	December 31, 2018
Accounts receivable	$ 1,033,739	727,335
Accounts receivable - Related parties	67,234	94,598
Less: allowance for losses	(1,277)	(1,051)
	$ 1,099,696	820,882

The Company adopts a simplified approach to estimate the expected credit loss for all bills receivable and accounts receivable, i.e. using the expected credit loss during the duration. For this measurement purpose, these bills receivable and accounts receivable are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, and have incorporated forward-looking information, including overall economic and related industry information. An analysis of the expected credit losses of the Company's bills and accounts receivable is as follows:

	December 31, 2019		
	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	$ 1,096,264	0.1%~0.2%	1,229
1~30 days overdue	4,709	1%~2%	48
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	$ 1,100,973		1,277

	December 31, 2018		
	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	$ 819,821	0.1%~0.2%	983
1~30 days overdue	1,590	1%~2%	16
31~90 days overdue	522	10%~50%	52
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	$ 821,933		1,051

The statement of changes in allowance losses for bills receivable and accounts receivable of the Company is as follows:

	2019	2018
Balance at beginning of period	$ 1,051	1,265
Impairment losses recognized (reversed)	226	(214)
Balance at end of period	$ 1,277	1,051

The above financial assets are not provided as collateral.

(IV) Inventory

	December 31, 2019	December 31, 2018
Raw materials	$ 57,685	94,495
In-process and semi-finished products	254,750	221,591
Finished products and commodity	182,704	200,319
	$ 495,139	516,405

In addition to the cost of inventory sold, the composition of inventory-related expenses and losses recognized as cost of goods sold by the Company is as follows:

	2019	2018
Inventory depreciation and scrap loss (reversed profit)	$ 21,477	(4,714)
Inventory shortage	3	103
	$ 21,480	(4,611)

As of December 31, 2019 and 2018, the inventory of the Company has not been provided as pledge guarantee.

(V) Investments using equity method

The investments of the Company using the equity method on the reporting date are listed as follows:

	December 31, 2019	December 31, 2018
Subsidiary	$ 99,813	96,756

1. For subsidiaries, please refer to the consolidated financial report for 2019.
2. As of December 31, 2019 and 2018, the investment of the Company using equity method has not been provided as pledge guarantee.

(VI) Property, plant and equipment

Details of changes in costs and depreciation of the Company's property, plant and equipment in 2019 and 2018 are as follows:

	Land	Houses and buildings	Office equipment and other	Equipment to be inspected	Total
Costs:					
Balance on January 1, 2019	$ 193,349	141,840	28,971	10,460	374,620
Increase	-	633	8,964	11,842	21,439
Reclassified into (out)	-	2,223	19,979	(22,202)	-
Reclassified to investing property	(31,526)	(20,292)	-	-	(51,818)
Disposal	-	(348)	(2,696)	-	(3,044)
Balance on December 31, 2019	**$ 161,823**	**124,056**	**55,218**	**100**	**341,197**
Balance on January 1, 2018	$ 191,302	139,982	24,580	4,869	360,733
Increase	-	235	3,467	9,591	13,293
Reclassified into (out)	-	-	4,000	(4,000)	-
Transfer from investing property	2,047	1,872	-	-	3,919
Disposal	-	(249)	(3,076)	-	(3,325)
Balance on December 31, 2018	**$ 193,349**	**141,840**	**28,971**	**10,460**	**374,620**
Accumulated depreciation:					
Balance on January 1, 2019	$ -	31,148	9,240	-	40,388
Depreciation this year	-	5,803	7,603	-	13,406
Reclassified to investing property	-	(3,680)	-	-	(3,680)
Disposal	-	(348)	(2,696)	-	(3,044)
Balance on December 31, 2019	**$ -**	**32,923**	**14,147**	**-**	**47,070**
Balance on January 1, 2018	$ -	25,230	6,908	-	32,138
Depreciation this year	-	5,572	5,408	-	10,980
Reclassified to investing property	-	595	-	-	595
Disposal	-	(249)	(3,076)	-	(3,325)
Balance on December 31, 2018	**$ -**	**31,148**	**9,240**	**-**	**40,388**
Book amount:					
December 31, 2019	**$ 161,823**	**91,133**	**41,071**	**100**	**294,127**
December 31, 2018	**$ 193,349**	**110,692**	**19,731**	**10,460**	**334,232**
January 1, 2018	**$ 191,302**	**114,752**	**17,672**	**4,869**	**328,595**

1. The Company reclassified the property into investing property based on the book value at the time of change of use due to the increase in the number of leased office space in the first quarter of 2019. Please refer to Note 6 (VII).
2. As of December 31, 2019 and 2018, the property, plant and equipment of the Company have been used as bank loan and financing limit guarantees. Please refer to Note 8 for details.

(VII) Investing property

Investing property is an office building leased to a third party by the Company under operating lease. The original irrevocable period for leased investing property is one to three years. Rental income of leased investing property is a fixed amount. Please refer to Note 6 (VIII) for relevant information.

	Land	Houses and buildings	Total
Costs:			
Balance on January 1, 2019	$ 16,542	10,649	27,191
Transfer from property, plant and Equipment	31,526	20,292	51,818
Balance on December 31, 2019	**$ 48,068**	**30,941**	**79,009**
Balance on January 1, 2018	$ 18,589	12,521	31,110
Reclassified to Property, Plant and Equipment	(2,047)	(1,872)	(3,919)
Balance on December 31, 2018	**$ 16,542**	**10,649**	**27,191**
Accumulated depreciation:			

Balance on January 1, 2019	$ -	1,932	1,932
Depreciation this year	-	607	607
Transfer from property, plant and Equipment	-	3,680	3,680
Balance on December 31, 2019	$ -	6,219	6,219
Balance on January 1, 2018	$ -	2,304	2,304
Depreciation this year	-	223	223
Reclassified to Property, Plant and Equipment	-	(595)	(595)
Balance on December 31, 2018	$ -	1,932	1,932
Book amount:			
Balance on December 31, 2019	$ 48,068	24,722	72,790
Balance on December 31, 2018	$ 16,542	8,717	25,259
Balance on January 1, 2018	$ 18,589	10,217	28,806
Fair value:			
December 31, 2019			$ 130,112
December 31, 2018			$ 45,068

The fair value of investing property is based on the evaluation of independent appraisers (who have recognized relevant professional qualifications and have relevant experience in the near future on the location and type of investing property evaluated). The input value used by its fair value evaluation technology is of Grade III.

Fair value is evaluated based on market value. If there is no current price in the active market, the evaluation takes into account the aggregate estimated cash flow expected to be collected from leasing the property and discounts it with the rate of return reflecting the specific risks inherent in the net cash flow to determine the value of the property. The rate of return ranges adopted in 2019 and 2018 are as follows:

Area	**2019**	**2018**
Xizhi District, Xinbei City	1.21%~1.48%	1.41%~1.72%

As of December 31, 2019 and 2018, the Company's investing property has been used as a guarantee for the financing amount. Please refer to Note 8 for details.

(VIII) Operating lease

1. Lessee lease

The rent payable for the Company's non-cancellable operating lease on December 31, 2018 is as follows:

	December 31, 2018
Within 1 year	$ 209
1-2 years	-
	$ 209

The Company leases several office equipment and parking spaces under operating lease. The lease period is usually one to two years.

2. Leasing by lessor

The Company leases its investing property. Since almost all risks and rewards attached to the ownership of the underlying assets have not been transferred, these lease contracts are classified as operating leases. Please refer to Note 6 (VII) for details of investing property. An analysis of the expiration of lease payments to report the total amount of undiscounted lease payments received in the future is shown in the following table:

	December 31, 2019	December 31, 2018
Less than 1 year	$ 2,905	1,151
1-2 years	6,192	95
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
More than 5 years	-	-
Total undiscounted payments	$ 9,097	1,246

(IX) Employee welfare

1. Determine the welfare plan

The adjustment between the present value of the welfare obligations determined by the Company and the fair value of the planned assets is as follows:

	December 31, 2019	December 31, 2018
Determined present value of welfare obligations	$ 20,627	16,293
Fair value of planned assets	(11,992)	(9,874)
Net defined benefit net liability	$ 8,635	6,419

The defined benefit plan of the Company is transferred to the special account of the labor retirement reserve of the Bank of Taiwan. The retirement payment for each employee subject to the Labor Standards Act is calculated on the basis of the base number of years of service and the average salary for the six months prior to retirement.

(1) Composition of planned assets

Retirement funds allocated by the Company in accordance with the Labor Standards Act are managed by the Labor Fund Utilization Bureau of the Ministry of Labor (hereinafter referred to as the Bureau). According to the Measures for the Custody and Utilization of Income and Expenditure of Labor Pension, the minimum income distributed in the annual final accounts of the fund shall not be lower than the income calculated according to the two-year fixed deposit interest rate of the local bank.

As of the end of the reporting period, the balance in the special account of labor pension in the Bank of Taiwan of the Company was NT$ 11,992 thousands. The data used by labor pension plan assets include fund yield and fund asset allocation. Please refer to the information published on the website of the Labor Fund Utilization Bureau of the Ministry of Labor.

(2) Changes of determined present value of welfare obligations

The changes in the present value of the welfare obligations determined by the Company in 2019 and 2018 are as follows:

	2019	2018
Welfare obligations determined on January 1	$ 16,293	18,579
Current service cost and interest	519	675
Net defined benefit liability remeasurement	3,815	(2,961)
Welfare obligations determined on December 31	$ 20,627	16,293

(3) Changes in fair value of planned assets

The changes in the fair value of the Company's welfare plan assets determined in 2019 and 2018 are as follows:

		2019	2018
Fair value of planned assets on January 1	$	9,874	9,239
Amount already allocated to the plan		1,671	264
Interest income		129	152
Compensation for planned assets (excluding current interest)		318	219
Fair value of planned assets on December 31	$	11,992	9,874

(4) Expenses recognized as profit or loss

Details of the expenses reported by the Company in 2019 and 2018 are as follows:

		2019	2018
Current service cost	$	304	373
Net interest on net defined benefit liabilities		86	150
	$	390	523

		2019	2018
Operating costs	$	36	48
Selling expenses		26	35
Administrative expenses		292	392
Research and development expenses		36	48
	$	390	523

(5) Remeasurement of net defined benefit liabilities recognized as other comprehensive gains and losses

The remeasurement of the Company's net defined benefit liabilities accumulated in other comprehensive profits and losses as of December 31, 2019 and 2018 is as follows:

		2019	2018
Accumulated balance on January 1	$	(1,271)	1,909
Current recognition		3,497	(3,180)
Accumulated balance on December 31	$	2,226	(1,271)

(6) Actuarial assumptions

The major actuarial assumptions used by the Company at the end of the financial reporting date are as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.125%	1.375%
Future salary increase	0.500%	0.500%

The Company expects to pay NT$ 477 thousands to the defined benefit plan within one year after the reporting date in 2019.

The weighted average duration of the defined benefit plan is 16.01 years.

(7) Sensitivity analysis

When calculating and determining the present value of welfare obligations, the Company must use judgment and estimation to determine relevant actuarial assumptions on the balance sheet date, including discount rate and future salary changes, etc. Any change in actuarial assumptions may significantly affect the amount of welfare obligations determined by the Company.

The effects of changes in the major actuarial assumptions to be adopted on December 31, 2019 and 2018 on determining the present value of welfare obligations are as follows:

	Impact on Determined welfare obligations	
	Increase by 0.25%	**Decrease by 0.25%**
December 31 2019		
Discount rate	$ (274)	280
Future salary increase	$ 270	(268)
December 31 2018		
Discount rate	$ (255)	263
Future salary increase	$ 254	(249)

The sensitivity analysis aforementioned is based on the analysis of the influence of changes in a single hypothesis without changing other hypotheses. In practice, many hypothetical changes may be linked. The sensitivity analysis is consistent with the method used to calculate the net welfare liabilities in the balance sheet.

The method and assumptions used in preparing sensitivity analysis for the current period are the same as those for the previous period.

2. Determine the allocation plan

The allocation plan of the Company is allocated to the labor pension personal account of the Bureau in accordance with the labor pension regulations and at the rate of 6% of the labor's monthly salary. Under this plan, after the Company has allocated a fixed amount to the Bureau, there will be no legal or constructive obligation to pay the extra amount.

The Company's pension expenses under the defined contribution pension scheme in 2019 and 2018 were NT$ 5,811 thousands and NT$ 5,658 thousands respectively, which have been allocated to the Bureau.

(X) Tax

1. Tax expenses

Details of tax expenses of the Company in 2019 and 2018 are as follows:

	2019	2018
Current tax expense	$ 61,369	33,795
Deferred tax expenses (profit)	(6,677)	5,404
Tax expenses	**$ 54,692**	**39,199**

Details of tax expenses (profits) recognized by the Company under other comprehensive gains and losses in 2019 and 2018 are as follows:

		2019	2018
Items not classified into profit or loss:			
Remeasurement of determined welfare plan	$	(699)	584
Items may subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign financial statements	$	(436)	(193)

The relationship between the Company's tax expenses and net profit before tax in 2019 and 2018 is adjusted as follows:

		2019	2018
Net profit before tax	$	248,652	192,592
Tax calculated at the domestic tax rate of the Company's locality		49,730	38,518
Unallocated surplus levy		4,864	5,259
Net changes and other non-recognized deductible temporary differences		98	(4,578)
	$	54,692	39,199

2. Unrecognized deferred tax assets

(1) The items not recognized as deferred tax assets by the Company are as follows:

		December 31,2019	December31,2018
Deductible temporary differences	$	14,999	15,482

The Company has assessed that the deductible temporary differences listed above are not likely to be realized in the future. Therefore, these items are not recognized as deferred income tax assets.

(2) Changes in deferred tax assets and liabilities recognized by the Company in 2019 and 2018 are as follows:

Deferred tax liabilities:

		Unrealized exchange profits	Financial assets evaluation benefits	Other	Total
Balance on January 1, 2019	$	1,551	98	287	1,936
Debit/(credit) profit and loss		(1,551)	1,437	-	(114)
Credit other comprehensive income		-	-	(287)	(287)
Balance on December 31, 2019	$	-	1,535	-	1,535
Balance on January 1, 2018	$	-	16	-	16
Debit profit and loss		1,551	82	-	1,633
Debit other comprehensive income		-	-	287	287
Balance on December 31, 2018	$	1,551	98	287	1,936

Deferred tax assets:

	Tax loss	Loss from inventory depreciation	Other	Total
Balance on January 1, 2019	$ -	(6,824)	(3,347)	(10,171)
Debit/(credit) profit and loss	-	317	(6,880)	(6,563)
Debit other comprehensive income	-	-	(848)	(848)
Balance on December 31, 2019	**$ -**	**(6,507)**	**(11,075)**	**(17,582)**
Balance on January 1, 2018	(3,157)	(7,160)	(3,728)	(14,045)
Debit profit and loss	3,157	336	277	3,770
Debit other comprehensive income	-	-	104	104
Balance on December 31, 2018	**$ -**	**(6,824)**	**(3,347)**	**(10,171)**

3. Verification of tax

The Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority until 2017.

(XI) Capital and other equity

As of December 31, 2019 and 2018, the total capital stock of the Company was rated at NT$ 1,000,000 thousands, with each par value of NT$ 10 yuan at 100,000,000 shares. All the above-mentioned rated share capital are common shares, and all the issued shares are 61,252,000 shares. All outstanding shares have been collected.

1. Capital reserve

The Company's capital reserve balance is as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 626,757	626,757
Treasury stock exchange	3,755	3,755
	$ 630,512	**630,512**

According to the Company Act, the realized capital reserve may only be issued to new shares or cash according to the proportion of the shareholders' original shares after the capital reserve is required to make up the losses first. The term *realized capital reserve* as mentioned in the preceding paragraph includes the excess of shares issued above par value and the income received from gifts. According to the regulations of the guidelines for handling the issue of securities by issuers, the total amount of capital reserve that may be appropriated for capital shall not exceed 10% of the paid-in capital.

2. Retained earnings

According to the Articles of Association of the Company, if there is any surplus in the Company's annual total final accounts, taxes shall be paid first to make up for the accumulated losses. The next 10% shall be the legal reserve (but the legal reserve shall not be paid when it reaches the paid-in capital of the Company) and the rest shall be listed or reversed according to law. If there is any surplus, and the surplus shall be distributed cumulatively with the previous year, the Board of Directors shall draw up a surplus distribution proposal and submit it to the shareholders' meeting for resolution to distribute dividends and bonuses.

(1) Legal reserve

According to the Company Act, the Company shall allocate 10% of the net profit after tax as legal reserve until it is equal to the total capital. When there is no loss, the Company may, by resolution of the shareholders' meeting, issue new shares or cash with the legal reserve, provided that the surplus reserve exceeds 25% of the paid-in capital.

(2) Special reserve

According to the regulations of J.G.Z.Z.No.1010012865 of April 6, 2012, when distributing the distributable surplus, the Company will set aside a special reserve of the same amount from the current profit and loss and the undistributed surplus of the previous period for the net deduction of other shareholders' equity incurred in the current year. The amount of other shareholders' equity deduction accumulated in the prior period shall not be distributed if the same amount of special reserve is set aside from the undistributed surplus in the prior period. After that, when the amount of other shareholders' equity reduction is reversed, surplus may be distributed to the reversed portion.

(3) Distribution of earnings

On June 12, 2019 and June 14, 2018, the Company passed resolutions in the board of shareholders on the distribution of surplus for 2018 and 2017. The dividends distributed to the owners are as follows:

	2018		2017	
	Share allotment rate (yuan)	**Amount**	**Share allotment rate (yuan)**	**Amount**
Dividends to ordinary owners:				
Cash	$ 0.70	42,876	0.50	30,626

Relevant information about the above-mentioned resolutions of the shareholders' meeting can be consulted through public information platform stations and other channels.

(XII) Earnings per share

The calculation of the Company’s basic earnings per share and diluted earnings per share is as follows:

	2019	2018
Basic earnings per share:		
Current net profit attributable to the Company	$ 193,960	153,393
Weighted average number of ordinary shares in circulation	61,252	61,252
EPS (yuan)	$ 3.17	2.50
Dilute earnings per share:		
Current net profit attributable to the Company	$ 193,960	153,393
Weighted average number of ordinary shares in circulation	62,434	62,449
EPS (yuan)	$ 3.11	2.46
Weighted average number of ordinary shares in circulation (dilution):		
Weighted average number of ordinary shares in circulation (basic)	61,252	61,252
Impact of employee remuneration	1,182	1,197
Weighted average number of ordinary shares in circulation (dilution)	62,434	62,449

(XIII) Revenue from customer contracts

1. Breakdown of income

		2019	2018
Major regional markets:			
Taiwan	$	1,238,785	1,225,332
Mainland China		1,267,610	909,784
Other countries		302,029	275,996
	$	2,808,424	2,411,112
Main products:			
Power MOSFET	$	2,340,083	2,033,995
Power Management IC		260,917	221,264
Other		207,424	155,853
	$	2,808,424	2,411,112

2. Contract balance

		December 31,2019	December 31, 2018	January 1, 2018
Bills and accounts receivable	$	1,100,973	821,933	987,793
Less: allowance for losses		(1,277)	(1,051)	(1,265)
Total	$	1,099,696	820,882	986,528

Please refer to Note 6 (III) for details of disclosure of bills receivable, accounts receivable and their impairment.

(XIV) Remuneration of employees, directors and supervisors

According to the Articles of Association of the Company, if there is any profit in the year, no less than 10% shall be allocated as employee remuneration and no more than 5% as supervisor remuneration. The remuneration of employees is decided by the Board of Directors to be distributed in stock or cash, and the target of distribution includes employees of subordinate companies who meet certain conditions. However, if the Company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the employee remuneration and the supervisor remuneration according to the proportion mentioned in the preceding paragraph.

The estimated amounts of remuneration for employees of the Company in 2019 and 2018 were NT$ 46,622 thousands and NT$ 36,111 thousands respectively. The estimated amounts of remuneration for directors and supervisors were NT$ 15,541 thousands and NT$ 12,037 thousands respectively. This is based on the amount of the Company's net profit before tax before deducting the remuneration for employees, directors and supervisors multiplied by the amount of remuneration for employees and directors and supervisors distributed as stipulated in the Articles of Association of the Company. It is also reported as the operating cost or operating expenses for the period. Relevant information can be found at the public information platform. There is no difference between the remuneration amounts of employees, directors and supervisors distributed by the above-mentioned resolution and the amounts estimated in the Company's individual financial reports for 2019 and 2018.

(XV) Non-operating income and expenditure

1. Other income

Details of other income of the Company in 2019 and 2018 are as follows:

		2019	2018
Other income	$	3,638	3,036

2. Other gains and losses

Details of other benefits and losses of the Company in 2019 and 2018 are as follows:

	2019	2018
Foreign currency exchange profit(loss),net	$ (17,305)	16,521
Net profits (losses) of financial assets/liabilities at fair value through profit or loss	7,676	492
Other	(634)	(579)
	$ (10,263)	16,434

3. Finance costs

Details of the financial costs of the Company in 2019 and 2018 are as follows:

	2019	2018
Interest expenses	$ -	568

(XVI) Financial instruments

1. Credit risk

The book value of financial assets represents the maximum amount of credit risk exposure. The maximum amount of credit risk on December 31, 2019 and 2018 was NT$ 1,447,145 thousands and NT$ 1,429,406 thousands respectively.

2. Liquidity risk

The following table shows the contractual maturity of financial liabilities, including estimated interest but excluding the impact of net agreements.

	Book amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31 2019							
Non-derivative financial liabilities							
Bills and accounts payable (Including related parties)	$ 351,217	351,217	351,217	-	-	-	-
Expenses payable and other accounts payable	50,379	50,379	50,379	-	-	-	-
	$ 401,596	401,596	401,596	-	-	-	-
December 31 2018							
Non-derivative financial liabilities							
Bills and accounts payable (Including related parties)	$ 509,876	509,876	509,876	-	-	-	-
Expenses payable and other accounts payable	46,983	46,983	46,983	-	-	-	-
	$ 556,859	556,859	556,859	-	-	-	-

The Company does not expect that the time of occurrence of cash flow for maturity analysis will be significantly earlier or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company's financial assets and liabilities exposed to significant foreign currency exchange rate risks are as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
financial assets						
Monetary items						
USD	$ 38,190	29.980	1,144,950	34,955	30.715	1,074,877
Financial liabilities						
Monetary items						
USD	12,015	29.980	360,209	16,440	30.715	504,940

(2) Sensitivity analysis

The exchange rate risk of the Cmpany mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable and other receivables, loans, accounts payable, expenses payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On December 31, 2019 and 2018, when NT$ depreciates or appreciates by 1% relative to US$, while all other factors remain unchanged, the net income before tax for 2019 and 2018 will increase or decrease by NT$ 7,847 thousands and NT$ 5,699 thousands respectively. The two phases of analysis adopt the same basis.

The exchange rate information for the conversion gains and losses (including realized and unrealized) of the Company's monetary items into the functional currency NT$ (i.e. the expressive currency by the Company) is as follows:

	2019		2018	
Functional currency	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
NTD	$ (17,305)	1	16,521	1

4. Interest rate analysis

The Company has not undertaken the debt with floating interest rate, while the financial assets with floating interest rate are bank deposits. The cash flow risk arising from changes in market interest rate is not significant after assessment, so sensitivity analysis has not been conducted.

5. Fair value information

(1) Types and fair value of financial instruments

The book value and fair value of the financial assets and financial liabilities of the Company (including fair value grade information, but if the book value of financial instruments not measured by fair value is a reasonable approximation of fair value, fair value information need not be disclosed according to regulations) are shown as follows:

	December 31, 2019				
	Book amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - Current	$ 7,676	-	-	7,676	7,676
Financial assets at amortized cost：					
Cash and cash equivalents	$ 326,491				
Bills receivable and accounts receivable (including related parties)	1,099,696				
Other accounts receivable	13,282				
Refundable deposits	20,072				
Total	$ 1,459,541				
Financial liabilities at amortized cost：					
Bills receivable and accounts receivable (Including related parties)	$ 351,217				
Expenses payable and other accounts payable	138,267				
Total	$ 489,484				

	December 31, 2018				
	Book amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - Current	$ 492	-	-	492	492
Financial assets at amortized cost：					
Cash and cash equivalents	$ 593,052				
Bills receivable and accounts receivable (including related parties)	820,882				
Other accounts receivable	14,980				
Refundable deposits	10,075				
Total	$ 1,438,989				
Financial liabilities at amortized cost：					
Bills receivable and accounts receivable (Including related parties)	$ 509,876				
Expenses payable and other accounts payable	120,240				
Total	$ 630,116				

(2) Fair value evaluation technology for measuring financial instruments by fair value
Derivative financial instruments

The fair value of derivatives is calculated by public quotation. When a public quotation cannot be obtained, the fair value of the contract is calculated based on the spot exchange rate and the exchange points respectively on the respective expiration dates of the contract.

(3) There was no transfer of fair value hierarchy from January 1 to December 31 of 2019 and 2018.

(4) Schedule of level 3 changes

	Financial assets (liabilities) at fair value through profit or loss
January 1, 2019	$ 492
Purchase/disposal/settlement	(492)
Recognized in profit or loss	7,676
December 31, 2019	$ 7,676

	Financial assets (liablilties) at fair value through profit or loss
January 1, 2018	$ 93
Purchase/disposal/settlement	(93)
Recognized in profit or loss	492
December 31, 2018	$ 492

The above total benefits or losses are reported in series as Other profits and losses. Among them, the assets or liabilities held as at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Total profits or losses		
Recognized in profits or losses (reported in Other profits and losses")	$ 7,676	492

(5) Quantitative information on fair value measurement of significant unobservable input values (Level 3)

The fair value measurement of the Company is classified into level 3 of financial assets at fair value through profit or loss - derivative financial instruments. This source of fair value is a third party quotation, so it is not intended to disclose sensitivity analysis of significant unobservable input values.

(XVII) Financial risk management

1. Abstract

The Company is exposed to the following risks due to the use of financial instruments:

(1) Credit risk

(2) Liquidity Risk

(3) Market Risk

This note expresses the risk exposure information of the above risks of the Company, and the objectives, policies and procedures of the Company to measure and manage risks. For further quantitative disclosure, please refer to the notes in the individual financial report.

2. Risk management framework

The risk management policy of the Company is established to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the operation of the Company. The Company will develop a disciplined and constructive control environment through training, management standards and operating procedures to enable all employees to understand their roles and obligations.

The Board of Directors of the Company supervises how the management level monitors the compliance of the risk management policies and procedures of the Company and reviews the appropriateness of the risk management framework related to the risks faced by the Company. Internal auditors assist the Board of Directors of the Company to play a supervisory role. These personnel conduct regular and exceptional reviews of risk management controls and procedures and report the results of the reviews to the Board of Directors.

3. Credit risk

Credit risk is the risk of financial losses incurred by the Company due to the failure of customers or counterparties of financial instruments to fulfill their contractual obligations. It mainly comes from the accounts receivable from customers of the Company.

(1) Bills receivable and accounts receivable

As of December 31, 2019 and 2018, the Company's total bills receivable and accounts receivable accounted for 50% and 53% of the top five sales customers respectively, making the Company subject to credit risk concentration. In order to reduce the credit risk, the policy adopted by the Company is to only conduct transactions with reputable clients, and to use other publicly available financial information and mutual transaction records to rate major clients. The Company continuously monitors the credit risk and the credit rating of the counterparty, and controls the credit risk through the counterparty's credit limit.

(2) Investment

The credit risks of bank deposits and other financial instruments are measured and monitored by the financial department of the Company. Since both the counterparty and the performing party of the Company are banks with good credit and have no significant doubts about performance, there is no significant credit risk.

4. Liquidity risk

Liquidity risk is the risk that the Company fails to deliver cash or other financial assets to settle financial liabilities and fails to fulfill relevant obligations. The method of managing the liquidity of the Company is to ensure that the Company has sufficient liquidity to meet the liabilities due under normal and stressful conditions as far as possible, without incurring unacceptable losses or the risk of damaging the reputation of the Company.

The capital, working capital and bank financing amount of the Company are sufficient to meet all contractual obligations, so there is no liquidity risk due to inability to raise funds to meet contractual obligations. In addition, the unused loan amounts of the Company as at December 31, 2019 and 2018 totaled NT$ 954,270 thousands and NT$ 963,223 thousands respectively.

5. Market risk

Market risk refers to the risk that changes in prices, such as exchange rate, interest rate and price of equity instruments, will affect the earnings of the Company or the value of the financial instruments it holds. The objective of market risk management is to control the risk exposure of market risks within an acceptable range and to optimize the return on investment.

(1) Exchange rate risk

The Company is exposed to exchange rate risks arising from sales, procurement and loan transactions that are not denominated in functional currencies. The main currency of these transactions is US dollars.

(2) Interest rate risk

Floating rate assets are mainly bank deposits, and the Company's assessment of cash flow risks arising from changes in market interest rates is not significant.

(XVIII) Capital management

The policy of the Board of Director is to maintain a sound capital base to maintain the confidence of investors, creditors and the market and to support the development of future operations. Capital includes the Company's share capital, capital reserve, retained earnings and other Equity.

The capital management objective of the Company is to ensure its ability to continue to operate, to continuously provide shareholders' compensation and the interests of other interested parties, and to maintain the optimal capital structure to reduce the cost of capital. The debt ratios as at December 31, 2019 and 2018 were 23% and 28% respectively.

As of December 31, 2019, the capital management method of the Company has not changed.

(XIX) Investment and financial activities for non-cash transactions

There was no change in the Company's liabilities from financial activities in 2019. The adjustment of the liabilities from financial activities 2018 is as follows:

	January 1, 2018	Cash flow	Changes of non-cash	December 31,2018
Short - term loan	$ 60,000	(60,000)	-	-
Total liabilities from financial activities	**$ 60,000**	**(60,000)**	**-**	**-**

VII. Related Party Transactions

(I) Name and relationship of related parties

During the period covered by this individual financial report, the following related parties had transactions with the Company:

Name of related party	Relation with the Company
Jinrong Investments Co., Ltd. (Jinrong Investments)	Subsidiary of the Company
Power Up Tech Co., Ltd.(Power Up)	〃
Wuxi Super GEM Microelectronics Co., Ltd. (Wuxi Super GEM Microelectronics)	〃
Super Group Semiconductor Co., Ltd. (Super Group Semiconductor)	Substantive parties
Cai Feng Investments Co., Ltd. (Cai Feng Investments)	〃
Green Solution Technology Co., Ltd. (Green Solution Technology)	〃
Wuxi U-NIKC Semiconductor Co., Ltd. (Wuxi U-NIKC Semiconductor)	Associated enterprise
Wuxi U-NIKC Semiconductor (HK) Co., Ltd. (Wuxi U-NIKC (HK) Semiconductor)	〃
	〃

(II) Main management personnel transactions

Remuneration for main management personnel includes:

		2019	2018
Short-term employee welfare	$	24,004	21,319
Post-retirement welfare		390	569
Resignation welfare		-	-
Other long-term welfare		-	-
Share-based payment		-	-
	$	24,394	21,888

(III) Major transactions with related parties

1. Sale to related parties

The Company's sales amount to related parties and its outstanding balance are as follows:

		Sales		Accounts receivable from related parties	
		2019	2018	December 31, 2019	December 31, 2018
Associated enterprises:					
Green Solution Technology	$	161,250	236,242	29,762	63,465
Other associated enterprises		240,919	214,496	37,472	31,133
Less: allowance for losses				(135)	(189)
	$	402,169	450,738	67,099	94,409

The Company's sales conditions to related parties are not significantly different from the general sales price. The payment terms for both 2019 and 2018 are 90 days, while the average customer is about 30 days to 120 days.

2. Purchase from related parties

The purchase amount and outstanding balance of the Company from related parties are as follows:

		Purchase		Bills and accounts payable	
		2019	2018	December 31, 2019	December 31, 2018
Associated enterprises:					
Green Solution Technology	$	205,219	202,025	14,436	36,233
Other associated enterprises		470	-	344	-
	$	205,689	202,025	14,780	36,233

In order to provide customers with a complete power management plan, the Company purchases customized products from related parties. There is no competitive purchase price of the products from the ordinary manufacturers. The terms of payment for both 2019 and 2018 are 30 days, while the terms of payment for ordinary manufacturers are about 30 to 90 days.

3. Purchase labor services from related parties

	Transaction amount		Expenses payable and other accounts payable	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary				
Power Up-Deal with after-sales service and quality control expenses of products	$ 53,543	54,553	2,938	2,795
Associated enterprises:				
Green Solution Technology - Product development project fees	1,810	17,810	-	2,097
Green Solution Technology - Research and development material fees	617	1,474	-	-
Other related parties:				
Super Group Semiconductor - Product development project fees	16,100	22,200	4,300	5,880
Super Group Semiconductor - Product maintenance fees	2,031	2,874	179	586
Super Group Semiconductor - Product royalty fees	63,659	49,682	5,651	8,979
	$ 137,760	148,593	13,068	20,337

As of December 31, 2019 and 2018, for the new product development contracts and outsourcing design contracts signed by the Company and its related parties have not yet been recognized due to the failure to reach the agreed development and design stage, please refer to Note 9 for details.

4. Rental income

Rental income of the Company arising from leasing offices to related parties is as follows:

	Transaction amount		Other accounts receivable	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiary				
Jinrong Investments	$ 17	17	17	35
Associated enterprises:				
Green Solution Technology	2,571	1,219	250	200
Other related parties:				
Other related parties	17	17	11	11
	$ 2,605	1,253	278	246

VIII. Pledged Assets

Details of the book value of the assets provided by the Company as collateral are as follows:

Assets name	Pledge object	December 31,2019	December 31,2018
Property, plant and equipment—Land	Bank loan	$ 144,182	175,707
- Houses and buildings	〃	74,021	92,454
Investing property - Land	〃	48,068	16,542
- Houses and buildings	〃	24,722	8,717
		$ 290,993	293,420

IX. Major Contingent Liabilities and Unrecognized Contractual Commitments

(I) The amount of guarantee notes issued by the Company to the supplier as guarantee for payment of the goods is as follows:

	December 31, 2019	December 31,2018
Guaranteed bill	$ 10,000	15,000

The amount of guaranteed promissory notes issued by the Company as a result of signing loan quotas and financial commodity trading quotas with financial institutions is as follows.

	December 31,2019	December31,2018
Loan limit and financial commodities trading limit	$ 1,031,726	1,037,188

As of December 31, 2019 and 2018, the amounts of new product development contracts and outsourcing design contracts signed by the Company that have not yet reached the agreed development and design stage and have not yet applied to the Company are NT$ 33,900 thousands and NT$ 38,200 thousands respectively; In addition, the merged company agreed in the new product development contract that when the product enters the mass production stage, it shall pay the royalty fee according to the relevant wafer purchase quantity and the agreed price.

(IV) The Company signed a capacity guarantee purchase contract with the supplier on May 30, 2018, and due to the agreement on the minimum purchase amount, the deposit amount shall be paid. As of December 31, 2019 and 2018, the deposit amount has been NT$ 20,000 thousands and NT$ 10,000 thousands respectively.

X. Major disaster losses: None.

XI. Major post-date events: None.

XII. Other

The functions of employee benefits, depreciation, depletion and amortization expenses are summarized as follows:

Function / Quality	2019			2018		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Salary expense	38,531	140,417	178,948	37,635	128,700	166,335
Labor and health insurance expenses	3,426	7,625	11,051	3,258	7,262	10,520
Pension expenses	1,647	4,554	6,201	1,675	4,506	6,181
Directors' emoluments	-	12,728	12,728	-	10,513	10,513
Other employee welfare expenses	2,274	5,147	7,421	2,144	4,758	6,902
Depreciation expense	6,099	7,307	13,406	5,503	5,477	10,980
Amortization expense	-	321	321	-	526	526

Additional information on the number of employees and staff welfare expenses of the Company in 2019 and 2018 is as follows:

	2019	2018
Number of employees	135	140
Number of directors who are not part-time employees	3	3
Average employee welfare expenses	$ 1,543	1,386
Average employee salary expenses	$ 1,356	1,214
Adjustment of average employee salary expenses	11.70%	

XIII. Note disclosure

(I) Information on major transactions

In 2019, the Company disclosed the following information on major transactions in accordance with the financial reporting standards for securities issuers:

1. Loan of funds to others: None.
2. Endorsement and guarantee for others: None.
3. Holding of securities at the end of the period (excluding investment subsidiaries, affiliated enterprises and equity joint ventures): None.
4. Cumulative purchase or sale of the same securities amounts to NT$ 300 million or more than 20% of the paid-in capital: None.
5. The amount of property acquired amounts to NT$ 300 million or more than 20% of the paid-in capital: None.
6. The amount of property disposed of amounts to NT$ 300 million or more than 20% of the paid-in capital: None.
7. Where the amount of purchases and sales to related parties amounts to NT$100 million or more than 20% of the paid-in capital:

Unit: NT$ thousands

Company purchasing (selling)	Transaction object	Relationship	Transaction situation				Circumstances and reasons of transaction different from general		Bills and accounts receivable (payable)		Note
			Purchase (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio of total bills and accounts receivable (payable)	
The Company	Green Solution Technology Co., Ltd.	Associated enterprise	Sales	(161,250)	5.74 %	Month closing for 90 days	-	Month closing for 30 days ~Next month closing 120 days	29,762	2.71%	
〃	〃	〃	Purchase	205,219	10.12 %	Month closing for 30 days	-	Month closing for 30 ~ 90 days	14,436	4.11%	
〃	Wuxi U-NIKC Semiconductor Co., Ltd.	〃	Sales	(168,891)	6.01 %	Month closing for 90 days	-	Month closing for 30 days ~Next month closing 120 days	21,880	1.99%	

8. Receivables from related parties amount to NT$ 100 million or more than 20% of paid-in capital: None.
9. Engaging in derivative transactions: Please refer to note 6 (II) for details.

(II) Information related to reinvestment:

Information on the Company's reinvestments in 2019 is as follows (excluding mainland China invested companies):

Unit: NT$ thousands/share

Investing company Name	Invested company Name	Area	Major business items	Original investment amount		Final holding			Invested company Current profit and loss	Current recognized Investment profit and loss
				At end of period	End of last year	Shares	Ratio	Book amount		
The Company	Jinrong Investment Co., Ltd.	Taiwan	Holding company	51,000	51,000	5,100,000	100.00%	66,051	5,174	5,174
〃	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	33,762	39	39
Jinrong Investment Co., Ltd.	Green Solution Technology Co., Ltd.	Taiwan	Manufacturing and Product Design of Electronic Components	48,875	48,875	4,511,514	15.04%	66,170	47,112	5,667

(III) Mainland China Investment Information:

1. Relevant information such as the name and main business items of the invested company in mainland China:

Unit: NT$ thousands

Name of mainland Invested Company	Major business items	Paid-in capital	Investing mode	Accumulated investment amount remitted from Taiwan at beginning of current period	Amount of investment remitted or recovered in current period		Accumulated investment amount remitted from Taiwan at end of current period	Invested company Current profit and loss	Shareholding ratio of Company's direct or indirect investment	Investment profits and losses recognized for current period	Book value of final investment	Remitted back investment income as of end of current period
Wuxi Super GEM Microelectronics Co., Ltd.	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	61,463	Note	61,463	-	-	61,463	2,277	100.00%	2,277	29,555	-

Note: Indirect investment through third place Power Up Tech Co., Ltd.

2. Limit of investment in mainland region:

Accumulated investment remitted from Taiwan to mainland region at end of current period	Investment amount approved by MOEAIC	Investment limit in mainland regulated by MOEAIC
61,463	61,463	1,138,331

3. Major transactions with mainland invested companies:

Through Power Up Tech Co., Ltd, the Company entrusted Wuxi Super GEM Microelectronics to handle the after-sales service, quality control and storage management of the products on its behalf. The related expenditures in 2019 and 2018 were NT$ 52,801 thousands and NT$ 53,829 thousands.

The above transactions are written off in the preparation of consolidated financial reports.

XIV. Department Information

Please refer to consolidated financial report of 2019 for details.

Niko Semiconductor Cash and Cash Equivalents Statement of December 31, 2019

Unit: NT$ thousands

Item	Abstract	Amount	
Cash on hand and petty cash		$	192
Checking and demand deposit	New Taiwan Dollars deposit		282,324
	Foreign currency deposit - US$ 1,467 thousand, exchange rate 29.980		43,975
		$	**326,491**

Accounts receivable

Customer title	Abstract	Amount	
Accounts receivable:			
Micro-star Technology Co., Ltd.	Operating revenue from non-related parties	$	253,764
Pegatron corporation Co., Ltd.	//		156,795
Hong Kong FoxPort Technology Co., Ltd.	//		89,268
ASUS Co., Ltd.	//		64,308
COWIN WORLDWIDE CORPERATION	//		64,024
Lite-ON Overseas Trading CO., Ltd.	//		61,188
Other (note)			344392
Total			1,033,739
Less: compensation for losses			(1,142)
Bills receivable and accounts receivable - Net		$	1,032,597

Note: The balance of each item does not exceed 5% of the amount and will not be separately listed.

Niko Semiconductor Inventory As of December 31, 2019

Unit: NT$ thousands

Item	Amount	
	Costs	Net realized value
End product and commodity	$ 213,763	
Less: compensation depreciation and sluggish loss	(31,059)	
	182,704	245,912
In-process product and half-finished product	295,061	
Less: compensation depreciation and sluggish loss	(40,311)	
	254,750	346,908
Raw material	67,648	
Less: compensation depreciation and sluggish loss	(9,963)	
	57,685	57,685
Net amount	**$ 495,139**	**650,505**

Niko Semiconductor Investment changes using equity method 1 January to 31 December 2019

Unit: NT$ thousands / thousand shares

Invested company	Balance at beginning of period		Increase in current period		Decrease in current period		Other change		Balance at end of period			Market price or total net value	Guarantee or pledge
	Share	Amount	Share	Amount	Share	Amount	Share	Amount (Note 1)	Share	Holding proportion	Amount		
Jinrong Investment Ltd.	5,100	$ 61,887	- -		- -		-	4,164	5,100	100 %	66,051	66,051	NA
Power Up Tech Co., Ltd.	1,930	34,869	- -		- -			(1,107)	1,930	100 %	33,762	33,762	NA
		$ 96,756		-		-		**3,057**			**99,813**	**99,813**	

Note 1: Refer to the recognition of investment gains and losses, accumulated conversion adjustments, etc.

Niko Semiconductor
Changes of property, plant and equipment
1 January to 31 December 2019

Unit: NT$ thousands

Please refer to Note 6 (6) for information on property, plant and equipment.

Change on investing property

Please refer to Note 6 (7) for information on investing property

Niko Semiconductor

Bills and accounts payable December 31, 2019

Unit: NT$ thousands

Customer title	Abstract	Amount
Bills payable		
Hi-Mart Industrial Co., Ltd.	Purchase and operating expenses	$ 25
Accounts payable:		
GEM Technology Ltd. Taiwan Branch	Purchase and operating expenses	83,042
United Microelectronics Corporation	//	49,348
Tongfu Microelectronics Co., Ltd.	//	48,154
Million Sign International Co., Ltd.	//	35,008
Precision Silicon Corporation	//	31,705
Vanguard International Semiconductor Corporation	//	21,005
Others (individual balances are less than 5% of the balance of this title)		68,150
Total		336,412
Total		**$ 336,437**

Expenses payable and other payables

Item	Abstract	Amount
Expenses payable	Project development fee, maintenance fee, Shipping fee, insurance, Labor service fee and import	$ 50,379
Salary payable and year-end bonus	Salary and year-end bonus	25,363
Remuneration payable to employees, directors and supervisors		62,525
		$ 138,267

Niko Semiconductor
Other non-current liabilities
December 31, 2019

Unit: NT$ thousands

Item	Abstract	Amount	Note
Accrued pension liabilities		$ 8,635	
Deferred tax liabilities - non-current		1,535	
Other		6	
Total		**$ 10,176**	

Operating Revenue

January 1 to December 31, 2019

Unit: NT$ thousands

Item	Number of sales (thousands)	Amount
Power MOSFET	1,466,622	$ 2,464,588
Power Management IC	125,074	269,679
Others (individual amount is less than 5% of the amount of this title)	272,483	207,447
Total		2,941,714
Less: Sales return and Sales discounts and allowance		133,290
Operating revenue, net		**$ 2,808,424**

Niko Semiconductor
Selling, administrative and research& development expense Statement
January1 to December 31, 2019

Unit: NT$ thousands

Item	Amount
Raw materials in at beginning of period	$ 105,661
Plus: Purchase	281,158
Less: Use by research and development	(4,475)
Cost of scrap material	(2,998)
Raw material at end of period	(67,648)
Direct raw material	311,698
Operating expenses	1,646,237
Operating cost	1,957,935
Plus: In-process and half-finished product at beginning of period	261,140
Current purchased half-finished product	56,238
Less: Half-finished product selling costs	(166,450)
Use by research and development	(4,348)
Cost of scrap half-finished product	(8,759)
In-process and half-finished product at end of period	(295.061)
Cost of finished good	1,800,695
Plus: Finished good at beginning of period	191,608
Current purchased finished product	300
Less: Sample expenses and other	(1,671)
Costs of scrap finished product	(13,674)
Finished good at end of period	(191,452)
Half-finished product selling costs	1,785.806
Commodity at beginning of period	43,290
Plus: Purchase	205,188
Other	1,277
Less: Commodity scrap	(8)
Commodity at end of period	(22,311)
Costs of commodity selling	227,436
Costs of half-finished product selling	166,450
Other operating costs	20,581
Operating costs	**$ 2,200,273**

Niko Semiconductor
Selling, administrative and research& development expense Statement
January1 to December 31, 2019

Unit: NT$ thousands

Research and development

Item	Selling expenses	Administrative expenses	R&D expenses
Salary expenses	$ 26,322	84,949	41,874
Rent	13,120	682	-
Export expenses	44,791	2,229	396
Labor cost	27,658	5,881	-
Indirect materials	4	176	9,873
Trial production expenses	-	-	15,961
Outsourcing project expenses	-	-	18,809
Other expenses (individual amount is less than 5% of the amount of this title)	13,167	29,939	22,566
Total	**$ 125,062**	**123,856**	**109,479**