NIKO SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS 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 Consolidated Balance Sheet of Dec. 31, 2018 and Dec. 31, 2019, and Consolidated Statement of Comprehensive income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and Consolidated Financial Reports annotations (including summary of major accounting policies) from Jan. 1 to Dec. 31 of 2018 and 2019 of Niko Semiconductor Co., Ltd. and its subsidiary (Niko Semiconductor Group) have been audited by the accountant.

According to the accountant's opinions, the Consolidated Financial Report are prepared according to the preparation standards of Financial Reports of securities issuer, and international financial report standards, international accounting standards, interpretation and interpretation announcement recognized and issued by Financial Supervisory Commission 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 consolidated financial status of Niko Semiconductor Group on Dec. 31 of 2018 and 2019 and consolidated financial performance and consolidated cash flow of the group 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 Consolidated Financial Report. 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 Group 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 company's Financial Reports adopted with equity method for investment listed into the Consolidated Financial Reports of Niko Semiconductor Group have not been audited by the accountant and they are audited by other accountants. Therefore, among the accountant's opinions on Consolidated Financial Reports, the amount listed in the company's Financial Reports adopted equity method for investment are based on the audit reports of other accountants. The total assets on Dec. 31, 2019 accounts for 3% of total consolidated 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 consolidated profit before tax.

The Niko Semiconductor Co., Ltd. has prepared individual Financial Reports of 2018 and 2019 and the accountant has respectively issued unqualified opinion adding other matters and unqualified opinion audit report for reference.

Key audit matters

Key audit matters refer to the most important matters to the audit of Consolidated Financial Reports of Niko Semiconductor Group in 2019 according to the professional judgment of the accountant. The matters have been response in the process of auditing the overall Consolidated 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 Consolidated Financial Reports annotation IV (VIII); please see details about uncertainty of the estimate of inventory evaluation in Consolidated Financial Reports annotation V; please see details about inventory and related loss in Consolidated 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 Consolidated Financial Reports. Therefore, inventory evaluation is one of the important evaluation matters that the accountant audits the Consolidated Financial Reports of Niko Semiconductor Group.

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 Group 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 Consolidated Financial Reports

Responsibility of management layer is to prepare the Consolidated Financial Reports with fair and appropriate expression according to the preparation standards of Financial Reports of securities issuer and internal accounting report standards, international accounting standards, interpretation and interpretation announcement recognized and issued by Financial Supervisory Commission and maintain the necessary internal control related to preparation of Consolidated Financial Reports to ensure that there is no significant misrepresentation caused by fraudulent practices or error in the Consolidated Financial Reports.

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

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

Accountant’s responsibility in audit of Consolidated Financial Reports

The purpose of the accountant’s audit of Consolidated Financial Reports is to obtain reasonable assurance about whether the Consolidated Financial Reports exists 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 Consolidated 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 Reports, 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 Consolidated 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 Group.

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 Group exists major uncertainty or not. If the accountant thinks that the event or situation exists major uncertainty, the accountant shall remind the user of Consolidated Financial Reports to pay attention to the relevant disclosure of Consolidated 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 Group will not have sustainable operation ability.

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

6. Obtain sufficient and appropriate audit evidences about the financial information of group's individuals to express opinions on Consolidated Financial Reports. The accountant is responsible for guiding, supervising and implementing the audit case and forming audit opinions of Group.

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 Consolidated Financial Reports of Niko Semiconductor Group 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

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Niko Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

Dec. 31 of 2018 and 2019

Unit: NTD thousand

Code	Assets	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current assets:				
1100	Cash and equivalent cash (annotation VI (I))	$ 361,180	15	628,569	26
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)	14,056	-	15,751	1
130X	Inventory (annotation VI (IV))	495,139	20	516,405	21
1470	Other current assets	2,397	-	2,314	-
		1,980,144	80	1,984,413	82
	Non-current assets:				
1550	Investment by equity method (annotation VI (V))	65,276	3	60,618	3
1600	Property, plant and equipment (annotation VI (VI) and VIII)	297,371	12	338,617	14
1755	Use right assets (annotation VI (VII))	5,368	-	-	-
1760	Net investment Property(annotation VI (VIII) and VIII)	72,790	3	24,657	1
1780	Intangible assets	440	-	909	-
1840	Deferred income tax assets (annotation VI (XII))	17,582	1	10,171	-
1900	Other non-current assets (annotation IX (IV))	20,072	1	10,075	-
		478,899	20	445,047	18
	Total assets	$ 2,459,043	100	2,429,460	100

Code	Liabilities and equity	2019.12.31 Amount	%	2018.12.31 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)	142,398	6	124,587	5
2230	Current income tax liabilities	47,658	2	34,117	1
2280	Lease liabilities –current (annotation VI (IX))	2,680	-	-	-
2300	Other current liabilities	4,886	-	1,843	-
		548,839	23	670,423	28
	Non-current liabilities:				
2580	Lease liabilities-non-current(annotation VI (IX))	2,810	-	-	-
2600	Other non-current liabilities(annotation VI (XI) and (XII))	10,176	-	8,361	-
	Total liabilities	561,825	23	678,784	28
	Equity attributable to the owner of the parent company:				
3110	Capital stock of common stock (annotation VI (XIII))	612,515	25	612,515	25
3200	Capital reserves (annotation VI (XIII))	630,512	26	630,512	26
3310	Legal reserves (annotation VI (XIII))	129,897	5	114,558	5
3320	Special reserves (annotation VI (XIII))	1,850	-	1,351	-
3350	Undistributed earnings (annotation VI (XIII))	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	$ 2,459,043	100	2,429,460	100

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

Niko Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

Jan. 1 to Dec. 31 of 2018 and 2019

Unit: NTD thousand

Code	Item	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating income (annotation VI (XV) and VII)**	$ 2,808,424	100	2,411,112	100
5000	**Operating cost (annotation VI (IV), (XI), (XVI), VII and XII)**	2,179,822	78	1,872,904	78
	Gross operating profits	628,602	22	538,208	22
	Operating expenses (annotation VI (III), (XI), (XVI), VII and XII):				
6100	Sales promotion expenses	104,104	4	97,955	4
6200	Management expenses	145,705	5	137,002	6
6300	R&D expenses	127,423	4	138,767	6
6450	Expected credit impairment loss (profit)	226	-	(214)	-
	Total operating expenses	377,458	13	373,510	16
	Net operating profits	251,144	9	164,698	6
	Non-operating income and expenditure:				
7010	Other income (annotation VI (XVII) and VII)	3,960	-	3,484	-
7020	Other profit and loss (annotation VI (XVII) and (XVIII))	(10,718)	-	17,132	1
7050	Financial cost(annotation VI (XVII))	(340)	-	(568)	-
7060	Share of interests of affiliated enterprises recognized by equity method (annotation VI (V))	6,202	-	8,963	-
	Total non-operating income and expenditure	(896)	-	29,011	1
	Net profit before tax	250,248	9	193,709	7
7950	**Minus: income tax expenses (annotation VI (XII))**	56,288	2	40,316	2
	Net profit	193,960	7	153,393	5
8300	**Other comprehensive income:**				
8310	**Items not reclassified to profit and loss**				
8311	Remeasurement of defined welfare plans (annotation VI (XI))	(3,497)	-	3,180	-
8349	Income tax related to unclassified items (annotation VI (XII))	699	-	(584)	-
	Total items not reclassified to profit and loss	(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 (XII))	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**	**7**	**155,490**	**5**
	Earnings per share (NTD) (annotation VI (XIV))				
	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 consolidated financial statements.

Niko Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

Jan. 1 to Dec. 31 of 2018 and 2019

Unit: NTD thousand

	Equity attributable to owners of parent company						
			Retained Earnings				
	Capital stock of common stock	Capital reserves	Legal reserves	Special reserves	Undistributed Earnings	Exchange differences on the translation of foreign operating organizations	Total Equity
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 consolidated financial statements.

Niko Semiconductor Co., Ltd. and Subsidiaries

Consolidated 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	$	250,248	193,709
Items of adjustment:			
Income expense loss item			
Depreciation expenses		17,489	11,826
Amortization expenses		456	663
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		340	568
Interest income		(955)	(970)
Share of interests of affiliated enterprises recognized by equity method		(6,202)	(8,963)
Loss of disposal and scrap of Property, plant and equipment		19	-
Other		21,485	(4,571)
Total income expense loss item		25,674	(2,060)
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		1,695	(2,337)
Inventory		(214)	(76,447)
Other current assets		(83)	(620)
Total net changes in assets related to operating activities		(277,642)	86,456
Notes payable		(11,798)	(1,831)
Accounts payable		(125,408)	259
Accounts payable-related parties		(21,453)	11,779
Other payables		18,531	13,315
Other current liabilities		3,043	(237)
Net defined benefit liabilities		(1,281)	310
Total net changes in liabilities related to operating activities		(138,366)	23,595
Total net changes in assets and liabilities related to business activities		(416,008)	110,051
Total items of adjustment		(390,334)	107,991
Cash (outflow) inflow from operations		(140,086)	301,700
Collected interest		955	970
Paid interest		(340)	(568)
Paid income tax		(49,633)	(6,883)
Net cash (outflow) inflow from operating activities		(189,104)	295,219
Cash flows of investment activities:			
Property, plant and equipment		(21,730)	(14,364)
Increase in deposit		(9,997)	(10,000)
Obtained intangible assets		-	(191)
Net cash outflow from investment activities		(31,727)	(24,555)
Cash flows from financing activities:			
Decrease in short-term borrowings		-	(60,000)
Repayment of lease principal		(2,661)	-
Distribution of cash dividends		(42,876)	(30,626)
Net cash outflow from financing activities		(45,537)	(90,626)
Impact of exchange rate changes on cash and equivalent cash		(1,021)	(442)
Current (decrease) increase of cash and equivalent cash		(267,389)	179,596
Balance of cash and equivalent cash at the beginning of the period		628,569	448,973
Ending balance of cash and equivalent cash	$	**361,180**	**628,569**

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

Notes to Niko Semiconductor and Subsidiaries
Consolidated Financial Statements
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 Super GEM 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 main business of the Company and its subsidiaries (hereinafter referred to as the merged company) 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. Please refer to Note 14 for details. The Company's shares have been listed and traded on Taiwan OTC since August 2007.

II. Date and Procedure of Adoption of Financial Report

The consolidated 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 merged company has fully adopted the IFRS approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) and effective in 2019 to prepare consolidated 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 FSC 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

Except for the following items, the application of the newly approved IFRS will not cause significant changes to the consolidated financial reports. The nature and impact of the major changes are described below:

1. IFRS 16 Leasing

IFRS 16 Leasing (hereinafter referred to as IFRS 16) replaces the current IAS 17 Leasing (hereinafter referred to as IAS 17), IFRS 4 Determines whether an arrangement includes leasing (hereinafter referred to as IFRS 4), Interpretation Notice 15 Operating Leases: Incentives and Interpretation Notice 27 Assesses the Nature of Transactions Involving Legal Forms of Leases.

The merged company adopts the formal retrospective method to transition to IFRS 16, and adjusts the accumulated impact initially applied to the retained earnings on January 1, 2019. The nature and impact of the changes in relevant accounting policies are described below:

(1) Definition of Lease

The merged company previously judged whether an agreement was or included a lease on the contract commencement date based on the IFRS 4. After the change of accounting policy, the lease definition in IFRS 16 is used to assess whether the contract is or includes a lease. For details of accounting policy, please refer to Note 4 (XII).

During the transition to IFRS 16, the merged company chose to adopt an expedient method to exempt the transaction before the first applicable date from the assessment of whether it is a lease, that is, to directly apply the provisions of IFRS 16 to the contract previously identified as a lease. Contracts previously identified as non-lease under IAS 17 and IFR 4 will not be reevaluated for lease. Therefore, the lease definition stipulated in IFRS 16 applies only to contracts entered into or changed on or after the first applicable date.

(2) Lessee

Transactions in which the merged company is the lessee were previously classified according to whether the lease contract has transferred almost all risks and rewards attached to the ownership of the underlying asset. Under IFRS 16, right-of-use assets and lease liabilities are recognized on the balance sheet for lease contracts.

The merged company has chosen to exempt the rental of office equipment and parking spaces from recognition for short-term or low-value leases.

For contracts previously classified as operating leases under IAS 17, during the transition, the lease liabilities are measured by the present value of the remaining lease payments and discounted using the merged company’s increased loan rate on the first applicable date. The right-of-use assets is measured by one of the following amounts:

a. The book value of the right-of-use assets is the same as if IFRS 16 had been applied from the date of commencement, but discounted using the lessee’s increased loan rate on the date of initial application. The merged company applies this method to its large-scale property lease; Or

b. The amount of lease liabilities, adjust the amount of all prepaid or payable lease payments related to the lease. The merged company applies this method to all leases other than the above.

In addition, the merged company adopted the following expedient measures to transition to IFRS 16:

a. A single discount rate is adopted for leasing portfolios with similar characteristics.

b. As an alternative method for assessing impairment of the right-of-use assets, based on its assessment results of loss-making contracts in accordance with IAS 37 Liability provisions, contingent liabilities and contingent assets immediately prior to the first applicable date.

c. For leases whose lease period ends within 12 months after the first applicable date, exemption is applied without recognizing the right-of-use assets and lease liabilities.

d. The original direct cost is not included in the measurement of the right-of-use assets on the first applicable date.

e. When the lease contract includes the option to extend or terminate the lease, the latter shall be adopted when determining the lease period.

(3) Lessor

The merged company does not need to make any adjustments to the transactions for which it is the lessor during the transition to IFRS 16, but applies IFRS 16 to handle its rental transactions from the first applicable date.

(4) Impact on financial report

During the transition to IFRS 16, the merged company recognized an amount of NT$ 8,313 thousands for both the right-of-use assets and the lease liabilities on the first applicable date. Lease liabilities are discounted at the increased loan interest rate of the merged company on the first applicable date. The weighted average of the interest rate used is 4.75%.

The amount of operating lease commitments disclosed in the year prior to the first application date and the amount of lease liabilities recognized on the first application date are adjusted as follows:

	January 1, 2019
Operating Lease Commitment Amount Revealed in Consolidated Financial Report as of December 31 2018	$3,510
Recognition exemption:	
Short-term lease	(310)
The option to extend or terminate the lease exercise can be reasonably determined.	5,737
	$ 8,937
The amount discounted at the increase loan interest rate (i.e. the amount of recognized lease liabilities) of January 1, 2019	**$ 8,313**

(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 merged Company's assessment of the application of the newly recognized IFRS will not have a significant impact on the consolidated 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 merged company is continuously evaluating the impact of the above standards and interpretations on the financial status and operating results of the merged 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 consolidated financial report is as follows. Unless otherwise stated, the following accounting policies have been consistently applied to all presentation periods of this consolidated financial report.

(I) Statement

The consolidated financial report is prepared in accordance with the securities issuer's financial report preparation standards (hereinafter referred to as Standards) and the IFRS, IAS, interpretation and interpretation announcement (hereinafter referred to as IFRS approved by the FSC) approved and issued by the Financial Supervisory Commission.

(II) Preparation basis

1. Measurement basis

Except for the following important items in the balance sheet, the consolidated 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 based on 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 (XIV).

2. Functional currency and expressive currency

Each entity of the merged company uses the currency of the main economic environment in which each operation is located as its functional currency. The consolidated 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) Consolidated basis

1. Principles for preparing consolidated financial report

The main body preparing the consolidated financial report includes the Company and the individuals (i.e. subsidiaries) controlled by the Company. When the Company is exposed to or has rights to variable remuneration from participation in the invested individual and is able to influence such remuneration through its power over the invested individual, the Company controls the individual.

From the date of obtaining control over the subsidiary, the financial report shall be included in the consolidated financial report until the date of loss of control. Transactions, balances and any unrealized gains and losses between the merged companies have all been eliminated in the preparation of the consolidated financial report. The total consolidated profits and losses of subsidiaries are attributable to the owners and non-controlling interests of the Company respectively, even if the non-controlling interests thus become the loss balance.

The financial reports of subsidiaries have been properly adjusted so that their accounting policies are consistent with those used by the merged company.

Changes in the ownership rights and interests of the merged company to its subsidiaries that do not result in loss of control over the subsidiaries are treated as equity transactions with the owners. The difference between the adjustment of non-controlling interests and the fair value of the consideration paid or received is recognized directly in the interests and belongs to the owners of the Company.

Subsidiaries included in this consolidated financial report include:

Name of investment company	**Name of subsidiary company**	**Nature of business**	**Holding equity percentage December 31, 2019**	**December 31, 2018**
The Company	Jinrong Investment Co., Ltd. (Jinrong Investment)	Holding company	100%	100%
The Company	Power Up Tech Co., Ltd. (Power Up)	Holding company	100%	100%
Power Up	Wuxi Super GEM Microelectronics Co, Ltd. (Wuxi Super GEM)	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	100%	100%

(4) 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 institutions, 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.

(V) Classification standards 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 merged 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 merged 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 merged 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.

(VI) 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.

(VII) 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 merged 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 merged 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 merged 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 measured 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 merged 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 merged 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 merged company is exposed to credit risk.

In determining whether the credit risk has increased significantly since the original recognition, the merged 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 merged 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 merged company, the merged 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 merging company can receive under the contract and the cash flow that the merged company expects to receive. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the merged 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 merged 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 merged 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 merged company analyzes the timing and amount of write-off on the basis of reasonable expectation of recovery. The merged 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 merged company for recovering overdue amounts.

(4) Derecognition of financial assets

The merged 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 merged 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 merged 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 merged company's residual equity after deducting all its liabilities from its assets. Equity instruments issued by the merged 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 merged 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 merged 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 merged 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.

(VIII) 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.

(IX) Investment in related enterprises

Related enterprises refer to those merged companies that have significant influence on their financial and operational policies but are not controlled or jointly controlled.

The merged company adopts the equity method to deal with the rights and interests of affiliated enterprises.

The consolidated financial report includes the amount of profit or loss and other comprehensive profit or loss of each investment related enterprise recognized by the merged company according to the equity ratio from the date of significant impact to the date of loss of significant impact after adjustment for consistency with the accounting policies of the merged company.

Unrealized profits and losses arising from transactions between the merged company and related enterprises are recognized in the financial statements of the enterprise only to the extent that non-affiliated investors have interests in affiliated enterprises.

When the merged company should recognize the loss share of the related enterprise proportionally equal to or more than its interests in the related enterprise, it will stop recognizing its losses and recognize additional losses and related liabilities only within the scope of legal obligations, constructive obligation or the payment made on behalf of the invested company.

(X) 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 benefits 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.

(XI) 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 merged 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 as follows:

(1) Houses and buildings: 3~50 years

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

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

(XII) Leasing

<u>It came into effect on January 1, 2019</u>

1. Judgment of lease

The merged 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 merged 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 merged 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 merged 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 merged 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 merging 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 merged 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 merged 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 merged company adopts a straight-line basis to recognize the lease payments received as rental income during the lease period.

Applicable before January 1, 2019

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 merged 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.

(XIII) Intangible assets

Intangible assets acquired by the merged 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 merged company will review the amortization method, useful life and residual value of intangible assets and adjust them as appropriate.

(XIV) Impairment of non-financial assets

On each reporting day, the merged company evaluates whether there is any indication that the book value of non-financial assets (except inventory, contract assets and deferred income 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.

(XV) Recognition of revenue

1. Revenue from customer contracts

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

(1) Selling commodities

The merged 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 merged company has objective evidence that all the acceptance conditions have been met.

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

(2) Financial components

The merged 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 merged company does not adjust the monetary time value of the transaction price.

(XVI) Employee benefits

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 merged 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 merged 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 merged 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 merged 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.

(XVII) 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;

2. Due to temporary differences arising from investments in subsidiaries, related enterprises and equity joint ventures, the merged 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 merged 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.

(XVIII) Earnings per share

The merged company lists the basic and diluted earnings per share attributable to the common share holders of the Company. The merged 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.

(XIX) Department information

The operating department is an integral part of the merged company, and is engaged in operating activities that may earn income and incur expenses (including income and expenses related to transactions between other components of the merged company). The operating results of all operating departments are regularly reviewed by the main operating decision makers of the merged company to make decisions on allocating resources to the departments and to evaluate their performance. Each operating department has separate financial 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 consolidated 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 merged 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 merged company include the fair value measurement of its financial, non-financial assets and liabilities. The financial department personnel of the merged 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 merged 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 (XVIII) 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	$ 337	316
Checks and demand deposits	360,843	628,253
	$ 361,180	628,569

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

(2) 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

1. As at December 31, 2019 and 2018, the details of derivative instruments of financial assets (liabilities) 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 (XVIII) 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 merged 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 merged 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 merged 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 merged 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 merged company has not been provided as pledge guarantee.

(V) Investments using equity method

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

	December 31, 2019	December 31, 2018
Associated enterprise	$ 65,276	60,618

The profits and losses of affiliated enterprises enjoyed by the merged company are listed as follows:

	2019	2018
Share of profit of related venture using equity method	$ 6,202	8,963

As of December 31, 2019 and 2018, the investment of the merged company using the equity method has not been provided as pledge guarantee.

The merged company does not have any contingent liabilities arising from the joint undertaking of the related enterprise with other investors or the individual liability for the liabilities of the related enterprise.

The ability of related enterprises of the merged company to transfer funds to the merged company is not significantly limited.

(VI) Property, plant and equipment

Details of changes in costs and depreciation of the merged 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	$ 193,743	144,910	46,475	10,460	395,588
Increase	-	633	9,255	11,842	21,730
Reclassified into (out)	-	2,223	19,979	(22,202)	
Reclassified to investing property	(31,920)	(20,548)	-	-	(52,468)
Disposal	-	(348)	(2,880)	-	(3,228)
Impact of exchange rate changes	-	(105)	(657)		(762)
Balance on December 31, 2019	$ 161,823	126,765	72,172	100	360,860
Balance on January 1, 2018	$ 191,696	143,072	41,814	4,869	381,451
Increase	-	273	4,500	9,591	14,364
Reclassified into (out)	-	-	4,000	(4,000)	-
Transfer from investing property	2,047	1,872	-	-	3,919
Disposal	-	(249)	(3,475)	-	(3,724)
Impact of exchange rate changes	-	(58)	(364)	-	(422)
Balance on December 31, 2018	$ 193,743	144,910	46,475	10,460	395,588
Accumulated depreciation:					
Balance on January 1, 2019	$ -	33,864	23,107	-	56,971
Depreciation this year	-	5,849	8,240	-	14,089
Reclassified to investing property	-	(3,728)	-	-	(3,728)
Disposal	-	(348)	(2,861)	-	(3,209)
Impact of exchange rate changes	-	(99)	(535)	-	(634)
Balance on December 31, 2019	$ -	35,538	27,951	-	63,489
Balance on January 1, 2018	$ -	27,904	20,891	-	48,795
Depreciation this year	-	5,633	5,976	-	11,609
Transfer from investing property	-	595	-	-	595
Disposal	-	(249)	(3,435)	-	(3,684)
Impact of exchange rate changes	-	(19)	(325)	-	(344)
Balance on December 31, 2018	$ -	33,864	23,107	-	56,971

		Land	Houses and buildings	Office equipment and other	Equipment to be inspected	Total
Book amount:						
December 31, 2019	$	161,823	91,227	44,221	100	297,371
December 31, 2018	$	193,743	111,046	23,368	10,460	338,617
January 1, 2018	$	191,696	115,168	20,923	4,869	332,656

1. The merged 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 (VIII).
2. As of December 31, 2019 and 2018, the property, plant and equipment of the merged company have been used as bank loan and financing limit guarantees. Please refer to Note 8 for details.

(VII) Right-of-use assets

Details of the cost and depreciation of the leased offices and staff quarters of the merged company are as follows:

		Houses and buildings
Costs of right-of-use assets		
Balance on January 1, 2019	$	-
Impact of retrospective application of IFRS 16		8,313
Increase		447
Disposal		(483)
Effect of exchange rate changes		(310)
Balance on December 31, 2019	$	7,967
Depreciation and impairment losses of right-of-use assets:		
Balance on January 1, 2019	$	-
Adjustments of retrospective application of IFRS 16		-
Depreciation in current period		2,793
Disposal		(94)
Effect of exchange rate changes		(100)
Balance on December 31, 2019	$	2,599
Book value:		
December 31, 2019	$	5,368

(VIII) Investing property

Investing property is an office building leased to a third party by a merged 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 (X) for relevant information.

		Land	Houses and buildings	Total
Costs:				
Balance on January 1, 2019	$	16,148	10,393	26,541
Transfer from property, plant and equipment		31,920	20,548	52,468
Balance on December 31, 2019	**$**	**48,068**	**30,941**	**79,009**
Balance on January 1, 2018	$	18,195	12,265	30,460
Reclassified to Property, Plant and Equipment		(2,047)	(1,872)	(3,919)
Balance on December 31, 2018	**$**	**16,148**	**10,393**	**26,541**
Accumulated depreciation:				
Balance on January 1, 2019	$	-	1,884	1,884
Depreciation this year		-	607	607
Transfer from property, plant and equipment		-	3,728	3,728
Balance on December 31, 2019	**$**	**-**	**6,219**	**6,219**
Balance on January 1, 2018	$	-	2,262	2,262
Depreciation this year		-	217	217
Reclassified to Property, Plant and Equipment		-	(595)	(595)
Balance on December 31, 2018	**$**	**-**	**1,884**	**1,884**
Book amount:				
Balance on December 31, 2019	**$**	**48,068**	**24,722**	**72,790**
Balance on December 31, 2018	**$**	**16,148**	**8,509**	**24,657**
Balance on January 1, 2018	**$**	**18,195**	**10,003**	**28,198**
Fair value:				
December 31, 2019			**$**	**130,112**
December 31, 2018			**$**	**44,043**

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%

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

(IX) Lease liabilities

The leasing liabilities of the merged company are as follows:

	December 31, 2019
Current	$ 2,680
Non-current	$ 2,810

For maturity analysis, please refer to Note 6 (XVIII) Financial Instruments.

The amounts recognized in profit or loss are as follows:

	2019
Interest expense on lease liabilities	$ 340
Rental charges for short-term leases and low-value assets	$ 682

The amounts recognized in the statement of cash flows are as follows:

	2019
Rental payments for business activities	$ (682)
Interest payments on lease liabilities for business activities	(340)
Repayment of lease principal for financing activities	(2,661)
Total cash outflow from leases	$ (3,683)

1. Lease of land, houses and buildings

The merged company leased the land, houses and buildings as office space and staff quarters on December 31, 2019 with a lease period of normally three years.

2. Other leases

The lease period of office equipment and parking space leased by the merged company is one to five years, and these leases are short-term or low-value target leases. The merged company chooses to apply the exemption provisions instead of recognizing its related right-of-use assets and lease liabilities.

(X) Operating lease

1. Lessee lease

Future rental payments payable for non-cancellable operating leases are as follows:

		December 31, 2018
Within 1 year	$	2,554
1-5 years		956
	$	3,510

The merged 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 merged 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 (VIII) 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	$	2,888	1,150
1-2 years		6,190	95
2-3 years		-	-
3-4 years		-	-
4-5 years		-	-
More than 5 years		-	-
Total undiscounted payments	$	9,078	1,245

(XI) Employee welfare

1. Determine the welfare plan

The adjustment between the present value of the welfare obligations determined by the merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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 merged 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.

Other overseas subsidiaries listed in the consolidated financial report received a total of NT$ 3,397 thousands and NT$ 3,753 thousands in pensions allocated and recognized in accordance with local laws in 2019 and 2018 respectively.

(XII) Tax

1. Tax expenses

Details of tax expenses (benefits) of the merged company in 2019 and 2018 are as follows:

		2019	2018
Current tax expense	$	62,965	34,912
Deferred tax expenses (profit)		(6,677)	5,404
Tax expenses	$	56,288	40,316

Details of tax expenses (benefits) recognized by the merged 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 tax expense and the net profit before tax of the merged company in 2019 and 2018 is adjusted as follows:

		2019	2018
Net profit before tax	$	250,248	193,709
Tax calculated at the domestic tax rate of the Company's locality		51,540	41,340
Number of tax rate differences in foreign jurisdictions		174	251
Changes in tax rates		-	(2,475)
Unallocated surplus levy		5,260	5,548
Net changes and other non-recognized deductible temporary differences		(686)	(4,348)
	$	56,288	40,316

2. Unrecognized deferred tax assets

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

		December 31, 2019	December 31, 2018
Deductible temporary differences	$	14,999	15,482
Tax loss		6,034	6,015
	$	21,033	21,497

Tax losses are deducted from the net profit of the current year for the 10 years prior to approval by the tax collection authority in accordance with the provisions of the tax law, and then the tax is assessed. Some of these items are not recognized as deferred tax assets because it is unlikely that the merged company will have sufficient taxable revenue in the future for the temporary difference.

As of December 31, 2019, the period of deduction for the tax losses of the merged company is as follows:

Loss year	Losses not deducted		Last year deductible
Jinrong Investment			
2010 (ratified)	$	97	2020
2012 (ratified))		64	2022
2013 (ratified)		69	2023
2014 (ratified)		70	2024
2015 (ratified)		29,569	2025
2016 (ratified)		77	2026
2018 (reported)		128	2028
2019 (estimated)		97	2029
	$	**30,171**	

(2) Changes in deferred tax assets and liabilities recognized by the merged 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)	(10,17)
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.

(XIII) Capital and other rights and interests

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.

(XIV) Earnings per share

The calculation of the merged 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 stock remuneration		1,182	1,197
Weighted average number of ordinary shares in circulation (dilution)		62,434	62,449

(XV) 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.

(XVI) 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 combined financial reports for 2019 and 2018.

(XVII) Non-operating income and expenditure

1. Other income

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

	2019	2018
Other income	$ 3,960	3,484

2. Other gains and losses

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

	2019	2018
Foreign currency exchange profit(loss),net	$ (17,235)	17,293
Net profits (losses) of financial assets/liabilities at fair value through profit or loss	7,676	492
Other gains and losses	(1,159)	(653)
	$ (10,718)	17,132

3. Finance costs

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

	2019	2018
Interest expenses	$ 340	568

(XVIII) Financial instruments

1. Credit risk

(1) Credit risk exposure

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$ 1,482,608 thousands and NT$ 1,465,694 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 payable and accounts payable _ (including related parties)	$ 351,217	351,217	351,217	-	-	-	-
Expenses payable and other accounts payable	48,799	48,799	48,799	-	-	-	-
Lease liabilities	5,490	5,765	1,441	1,441	2,883	-	-
	$ 405,506	405,781	401,457	1,441	2,883	-	-
December 31 2018							
Non-derivative financial liabilities							
Bills payable and accounts payable _ (including related parties)	$ 509,876	509,876	509,876	-	-	-	-
Expenses payable and other accounts payable	44,324	44,324	44,324	-	-	-	-
	$ 554,200	554,200	554,200	-	-	-	-

3. Market risk

(1) Exchange rate risk

The financial assets and liabilities of the merged company 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	$ 39,259	29.980	1,176,973	35,947	30.715	1,104,116
Financial liabilities						
Monetary items						
USD	12,112	29.980	363,117	16,530	30.715	507,705

(2) Sensitivity analysis

The exchange rate risk of the merged company 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$, while all other factors remain unchanged, the net profit before tax for 2019 and 2018 will increase or decrease by NT$ 8,139 thousands and NT$ 5,964 thousands respectively. The two phases of analysis adopt the same basis.

(3) Exchange gains and losses of monetary items

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

	2019		2018	
Functional currency	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
NTD	$ (17,429)	1	16,719	1
RMB	194	4.472	574	4.560
	$ (17,235)		17,293	

(4) Interest rate analysis

The merged 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.

4. 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 merged 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	$ 361,180				
Bills receivable and accounts receivable (including related parties)	1,099,696				
Other accounts receivable	14,056				
Refundable deposits	20,072				
Total	$ 1,495,004				
Financial liabilities at amortized cost：					
Bills payable and accounts payable (including related parties)	$ 351,217				
Expenses payable and other accounts payable	142,398				
Total	$ 493,615				

	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	$ 628,569				

Bills receivable and accounts receivable (including related parties)	820,882
Other accounts receivable	15,751
Refundable deposits	10,075
Total	**$ 1,475,277**
Financial liabilities at amortized cost：	
Bills payable and accounts payable (including related parties)	$ 509,876
Expenses payable and other accounts payable	124,587
Total	**$ 634,463**

(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**
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 profit or loss (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 merged company is classified into level 3 of financial assets and liabilities 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.

(XIX) Financial risk management

1. Abstract

The merged 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 merged company, and the objectives, policies and procedures of the merged company to measure and manage risks. For further quantitative disclosure, please refer to the notes in the consolidated financial report.

2. Risk management framework

The risk management policy of the merged company is established to identify and analyze the risks faced by the merged 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 merged company. The merged 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 merged company and reviews the appropriateness of the risk management framework related to the risks faced by the merged 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 merged 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 merged company.

(1) Bills receivable and accounts receivable

As of December 31, 2019 and 2018, the merged company's total bills receivable and accounts receivable accounted for 50% and 53% of the top five sales customers respectively, making the merged company subject to credit risk concentration. In order to reduce the credit risk, the policy adopted by the merged 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 merged 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 merged 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 merged 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 merged company is to ensure that the merged 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 merged company.

The capital, working capital and bank financing amount of the merged 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 merged 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 merged 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 merged 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 merged company's assessment of cash flow risks arising from changes in market interest rates is not significant.

(XX) 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 merged 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 merged company has not changed.

(XXI) Changes in liabilities from financial activities

Adjustments to changes in liabilities from financial activities are shown in the following table:

	January 1, 2019	Cash flow	Non-cash changes	December 31, 2019
Lease liabilities	$ 8,313	(3,001)	178	5,490
Total liabilities from financial activities	**$ 8,313**	**(3,001)**	**178**	**5,490**

	January 1, 2018	Cash flows	Non-cash changes	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 consolidated financial report, the following related parties had transactions with the merged company:

Name of related party	Relations with merged company
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)	Associated enterprise
Wuxi U-NIKC Semiconductor Co., Ltd. (Wuxi U-NIKC Semiconductor)	〃
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	21,270
Post-retirement welfare	390	569
Resignation welfare	-	-
Other long-term welfare	-	-
Share-based payment	-	-
	$ 24,394	**21,839**

(III) Major transactions with related parties

1. Sale to related parties

The merged 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

There is no significant difference between the terms of sale of the merged company to its related parties and the general selling 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 merged 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 merged 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 days 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**
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
	$ 84,217	**94,040**	**10,130**	**17,542**

As of December 31, 2019 and 2018, the new product development contracts and outsourcing design contracts signed by the merged 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 merged company arising from leasing offices to related parties is as follows:

	Transaction amount		Other accounts receivable	
	2019	**2018**	**December 31, 2019**	**December 31, 2018**
Related enterprises:				
Green Solution Technology	$ 2,571	1,219	250	200
Other related parties:				
Other related parties	17	17	11	11
	$ 2,588	**1,236**	**261**	**211**

VIII. Pledged Assets

Details of the book value of the assets provided by the merged 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	176,101
- Houses and buildings	〃	74,021	92,661
Investing property - Land	〃	48,068	16,149
- Houses and buildings	〃	24,722	8,509
		$ 290,993	293,420

IX. Major Contingent Liabilities and Unrecognized Contractual Commitments

(1) The amount of guarantee notes issued by the merged 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

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

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

(III) As of December 31, 2019 and 2018, the amounts of new product development contracts and outsourcing design contracts signed by the merged company that have not yet reached the agreed development and design stage and have not yet applied to the merged 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 merged 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
Staff welfare expenses						
Salary expense	41,324	181,509	222,833	40,425	154,559	194,984
Labor and health insurance expenses	3,627	9,122	12,749	3,525	8,904	12,429
Pension expenses	2,015	7,583	9,598	2,176	7,758	9,934
Directors' emoluments	-	12,728	12,728	-	10,513	10,513
Other employee welfare expenses	2,449	6,510	8,959	2,348	6,019	8,367
Depreciation expense	6,098	10,784	16,882	5,503	6,106	11,609
Amortization expense	-	456	456	-	663	663

XIII. Note disclosure

(I) Information on major transactions

Relevant information on major transactions to be disclosed by the merged company in 2019 in accordance with the preparation standards is as follows:

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 fo 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.
10. Business relations and important transactions between parent and subsidiary companies:

No.	Name of trader	Transaction object	Relations with traders	Transaction from January 1 to December 31, 2019			
				Item	Amount	Transaction condition	Ratio to consolidated total operating income or total assets
0	The Company	Power Up Tech Co., Ltd.	Transactions between parent company and subsidiary	Operating costs	26,823	Before the 25th of the following month	0.96%
0	〃	〃	Transactions between parent company and subsidiary	Operating expenses	26,720	〃	0.95%
0	〃	〃	Transactions between parent company and subsidiary	Expenses payable	2,938	〃	0.12%
1	Power Up Tech Co., Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidiary transactions	Operating costs	52,801	〃	1.88%
1	〃	〃	Inter-subsidiary transactions	Expenses payable	2,908	〃	0.12%

(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 At end of period	Original investment amount End of last year	Final holding Shares	Final holding Ratio	Final holding Book amount	Mid-term highest share holding ratio	Invested company Current profit and loss	Current recognized Investment profit and loss	Note
The Company	Jinrong Investment Co., Ltd.	Taiwan	Holding company	51,000	51,000	5,100,000	100.00%	66,051	100.00%	5,174	5,174	Note
〃	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	33,762	100.00%	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	15.04%	47,112	5,667	

Note: It has been written off when preparing the consolidated financial report.

(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: remitted	Amount of investment remitted or recovered in current period: recovered	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	Interim highest or capital contribution	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%	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

(I) General information

The main revenue of the merged company comes from the sales of power management IC. The main operating decision makers of the merged company use the overall operating results as the basis for evaluating performance. According to this, the merged company is a single operating department, and the operating department information of 2019 and 2018 is consistent with the consolidated financial report information.

(II) Information on department profits and losses, department assets, and their measurement basis and reconciliation shall be reported.

Information on department profit and loss, department assets and department liabilities of the merged company is consistent with the consolidated financial report. Please refer to the consolidated balance sheet and consolidated income statement for details.

(III) Product and labor information

1. Product and labor information

The information of the merged company's income, products and services from external customers is as follows:

Name of product and service	2019	2018
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. Area information

The area information of the merged company is as follows, in which income is classified according to the geographic location of the customer, while non-current assets are classified according to the geographic location of the asset.

Revenue from external customers:

Area		2019	2018
Taiwan	$	1,238,785	1,225,332
Mainland China		1,267,610	909,784
Other countries		302,029	275,996
Total	$	2,808,424	2,411,112

Non-current assets:

		2019	2018
Taiwan	$	387,074	369,972
Mainland China		8,968	4,286
Total	$	396,042	374,258

Non-current assets include property, plant and equipment, investing property, intangible assets and other assets, but do not include financial instruments, deferred tax assets, assets of retirement benefits and non-current assets of rights arising from insurance contracts.

(IV) Important customer information

Details of customers whose operating income accounted for more than 10% of the merged company's net operating income in the income statement in 2019 and 2018 are as follows:

		2019		2018	
		Amount	Proportion %	Amount	Proportion %
Microstar Technology Co., Ltd	$	499,382	18	445,218	18
Green Solution Technology Co., Ltd.		402,169	14	450,738	19
Pegatron corporation		285,110	10	196,382	8
	$	1,186,661	42	1,092,338	45