Greatek Electronics Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Greatek Electronics Inc.

Opinion

We have audited the accompanying balance sheets of Greatek Electronics Inc. (the "Corporation") as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying company only financial statements present fairly, in all material respects, the company only financial position of the Corporation as of December 31, 2019 and 2018, and the company only financial performance and the company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the financial statements of the Corporation for the year ended December 31, 2019, are described as follows:

<u>Contract assets and revenue recognition</u>

1. The sales revenue is material to the Corporation. Please refer to Note 19 to the accompanying financial statements for details on sales revenue. The major type of revenue is subcontract revenue. The types of subcontracting transactions include:

    1) Semiconductor assembly

    2) Semiconductor testing

    3) Wafer testing

2. Assembly services: Since the customers have ownership of the assets, assume significant risks and rewards of ownership of the assets, have the right to determine the disposal of the assets and can prevent the Corporation from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.

3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15. As the Corporation conducts testing services, the customers obtain and consume the benefits provided by the Corporation's testing services at the same time. Therefore, revenue should also be recognized over time as well.

4. The Corporation recognizes the contract assets and revenue of assembly and testing services at the end of each month based on the completion schedule. Since the above-mentioned process includes estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.

5. We reviewed the Corporation's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, and confirmed against relevant supporting documents and accounts records to verify the accuracy of the monetary amounts of contract assets and revenue recognition.

<u>Capitalization of property, plant and equipment</u>

1. The capital expenditure of the Corporation relating to property, plant and equipment is significant to its financial statements. Refer to Note 12 to the accompanying financial statements for details on property, plant and equipment.

2. To ensure the accuracy of the cost amounts, the requisition, purchasing, verification and recording of the Corporation's property, plant and equipment are all subject to appropriate sign-off procedures. The Corporation will regularly examine items that were not capitalized for more than three months after their purchase and ask the department using the item to explain the circumstances surrounding why each item which should be capitalized has as of yet remained un-capitalized.

3. Because of the significance of such expenditure amounts, delays in capitalization or errors in cost amounts thereof may lead the financial statements to not be fairly presented.

4. We reviewed the Corporation's property, plant and equipment capital expenditure policy, assessed the reasonableness of the timing of capitalization, and conducted the following procedures:

    1) Selecting samples of newly acquired items from the lists of asset details of the year to verify whether the costs are recognized in the appropriate period.

    2) Selecting samples from the list of Advance Payments and Construction in Progress at the year end and perform on-site count to observe whether such items were not ready for their intended use.

    3) Selecting samples of items that were not capitalized over three months from the list of Advance Payments and Construction in Progress to examine whether the reasons of such items not capitalized explained by applicants or users were approved by supervisors.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yu-Feng Huang and Cheng-Chih Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 3, 2020

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English version have not audited by Deloitte & Touche. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

GREATEK ELECTRONICS INC.

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,618,463	18	$ 3,043,943	16
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	54,221	-	51,001	-
Financial assets at amortized cost - current (Notes 4, 5 and 9)	250,388	1	200,015	1
Contract assets - current (Notes 4, 19 and 25)	562,604	3	471,025	3
Notes receivable (Notes 4, 5, 10 and 19)	63,517	-	78,037	-
Accounts receivable (Notes 4, 5, 10 and 19)	2,643,937	14	2,536,481	13
Receivables from related parties (Notes 4, 5, 19 and 25)	338,123	2	284,829	2
Inventories (Notes 4 and 11)	533,376	3	572,192	3
Prepaid expenses and other current assets (Notes 4, 15 and 25)	112,752	1	113,557	1
Total current assets	8,177,381	42	7,351,080	39
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	264,470	1	145,420	1
Financial assets at amortized cost - noncurrent (Notes 4, 5 and 9)	800,003	4	951,521	5
Property, plant and equipment (Notes 4, 12 and 25)	10,055,669	52	10,160,233	54
Right-of-use assets (Notes 3, 4, 5 and 13)	10,661	-	-	-
Intangible assets (Notes 4 and 14)	80,668	-	85,742	1
Deferred income tax assets (Notes 4 and 21)	36,754	-	48,503	-
Other noncurrent assets (Notes 4, 15 and 26)	90,605	1	82,061	-
Total non-current assets	11,338,830	58	11,473,480	61
TOTAL	$ 19,516,211	100	$ 18,824,560	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	$ 26	-	$ 232	-
Contract liabilities - current (Notes 4 and 19)	50,340	-	39,323	-
Notes payable	8,276	-	1,949	-
Accounts payable	805,324	4	618,350	3
Payables to equipment suppliers	356,303	2	112,084	1
Accrued compensation to employees and remuneration to directors (Notes 4 and 20)	315,493	2	376,524	2
Current income tax liabilities (Notes 4 and 21)	256,584	2	353,296	2
Lease liabilities - current (Notes 3, 4, 5 and13)	1,208	-	-	-
Accrued expenses and other current liabilities (Notes 4, 16 and 25)	816,981	4	867,962	5
Total current liabilities	2,610,535	14	2,369,720	13
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 21)	839	-	154	-
Lease liabilities - noncurrent (Notes 3, 4, 5 and13)	9,540	-	-	-
Guarantee deposits	16	-	90	-
Net defined benefit liability - noncurrent (Notes 4, and 17)	240,651	1	235,532	1
Total non-current liabilities	251,046	1	235,776	1
Total liabilities	2,861,581	15	2,605,496	14
EQUITY (Notes 3, 4, 18 and 23)				
Capital stock				
Common stock	5,688,459	29	5,688,459	30
Capital surplus	1,997	-	1,865	-
Retained earnings				
Legal reserve	3,072,210	16	2,834,665	15
Special reserve	46,429	-	319	-
Unappropriated earnings	7,805,894	40	7,740,185	41
Other equity	39,641	-	(46,429)	-
Total equity	16,654,630	85	16,219,064	86
TOTAL	$ 19,516,211	100	$ 18,824,560	100

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

GREATEK ELECTRONICS INC.

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET SALES (Notes 4, 5, 19, 25 and 29)	$ 12,030,481	100	$ 12,356,434	100
OPERATING COSTS (Notes 11, 17, 20 and 25)	9,231,137	77	9,098,195	74
GROSS PROFIT	2,799,344	23	3,258,239	26
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing	4,018	-	47,209	-
General and administrative	208,721	2	199,809	2
Research and development	203,385	2	193,308	1
Total operating expenses	460,124	4	440,326	3
OPERATING INCOME	2,339,220	19	2,817,913	23
NONOPERATING INCOME AND EXPENSES (Notes 4 and 20)				
Other income	83,577	1	69,477	-
Other gains and losses	(25,732)	-	28,599	-
Total nonoperating income and expenses	57,845	1	98,076	-
INCOME BEFORE INCOME TAX	2,397,065	20	2,915,989	23
INCOME TAX EXPENSE (Notes 4 and 21)	501,166	4	540,536	4
NET INCOME	1,895,899	16	2,375,453	19
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 18)	86,070	-	(46,110)	-
Remeasurement of defined benefit plans (Notes 4 and 17)	(10,651)	-	(21,442)	-
	75,419	-	(67,552)	-
TOTAL COMPREHENSIVE INCOME	$ 1,971,318	16	$ 2,307,901	19
EARNINGS PER SHARE (Note 22)				
Basic	$ 3.33		$ 4.18	
Diluted	$ 3.29		$ 4.11	

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

GREATEK ELECTRONICS INC.

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

	Share Capital Issued and Outstanding			Retained Earnings			Other Equity	
	Share (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE, JANUARY 1, 2018	568,846	$ 5,688,459	$ 1,769	$ 2,583,802	$ -	$ 7,343,894	$ (319)	$ 15,617,605
APPROPRIATION OF 2017 EARNINGS								
Legal reserve	-	-	-	250,863	-	(250,863)	-	-
Special reserve	-	-	-	-	319	(319)	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(1,706,538)	-	(1,706,538)
Capital surplus - donations from shareholders	-	-	96	-	-	-	-	96
Net income for the year ended December 31, 2018	-	-	-	-	-	2,375,453	-	2,375,453
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(21,442)	(46,110)	(67,552)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,354,011	(46,110)	2,307,901
BALANCE, DECEMBER 31, 2018	568,846	5,688,459	1,865	2,834,665	319	7,740,185	(46,429)	16,219,064
APPROPRIATION OF 2018 EARNINGS								
Legal reserve	-	-	-	237,545	-	(237,545)	-	-
Special reserve	-	-	-	-	46,110	(46,110)	-	-
Cash dividends to shareholders - NT$2.70 per share	-	-	-	-	-	(1,535,884)	-	(1,535,884)
Capital surplus - donations from shareholders	-	-	132	-	-	-	-	132
Net income for the year ended December 31, 2019	-	-	-	-	-	1,895,899	-	1,895,899
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(10,651)	86,070	75,419)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,885,248	86,070	1,971,318
BALANCE, DECEMBER 31, 2019	568,846	$ 5,688,459	$ 1,997	$ 3,072,210	$ 46,429	$ 7,805,894	$ 39,641	$ 16,654,630

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

GREATEK ELECTRONICS INC.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Current income before income tax	$ 2,397,065	$ 2,915,989
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	2,445,225	2,246,653
Amortization	25,181	21,375
Impairment losses recognized on receivables	21,400	-
Net gain (loss) on fair value change of financial instruments designated as at fair value through profit or loss	(3,426)	1,305
Finance costs	192	-
Premium amortization of financial assets at amortized cost	1,146	1770
Interest revenue	(40,062)	(33,484)
Dividend revenue	(10,560)	(8,100)
Net gain on disposal of property, plant and equipment	(84)	(562)
Classification from property, plant and equipment to expenses	4	21
Recognition (reversal) of inventory valuation and obsolescence losses	1,556	(3,196)
Net loss (gain) on foreign currency exchange	28,566	(16,126)
Changes in operating assets and liabilities:		
(Increase) decrease in contract assets	(91,579)	40,927
Decrease (increase) in notes receivable	14,520	(2,017)
Increase in accounts receivable	(157,124)	(43,291)
(Increase) decrease in accounts receivable from related parties	(53,294)	78,853
Decrease (increase) in inventories	37,260	(103,116)
Increase in prepaid expenses and other current assets	(565)	(12,137)
Increase in contract liabilities	11,017	1,767
Increase (decrease) in notes payable	6,327	(292)
Increase (decrease) in accounts payable	190,199	(65,175)
Decrease in accrued compensation to employees and remuneration to directors	(61,031)	(29,816)
(Decrease) increase in accrued expenses and other accounts payable	(50,981)	1,288
Decrease in net defined benefit liability	(5,532)	(4,517)
Net cash provided by operating activities	4,705,420	4,988,119
Interest received	41,432	34,223
Interest paid	(192)	-
Income tax paid	(585,444)	(484,032)
Net cash provided by operating activities	4,161,216	4,538,310

(Continued)

GREATEK ELECTRONICS INC.

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (32,980)	$ (33,130)
Purchase of financial assets at amortized cost	(100,001)	(200,001)
Proceeds from financial assets at amortized cost	200,000	200,000
Acquisition of property, plant and equipment	(2,091,675)	(3,085,737)
Disposal of property, plant and equipment	298	562
Decrease in refundable deposits	156	195
Increase in intangible assets	(20,107)	(28,129)
Increase in non-current assets	(8,700)	-
Dividend received	10,560	8,100
Net cash used in investing activities	(2,042,449)	(3,138,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	(74)	-
Repayment of the principal portion of lease liabilities	(1,188)	-
Cash dividends distributed	(1,535,884)	(1,706,538)
Donations from shareholders	132	96
Net cash used in financing activities	(1,537,014)	(1,706,442)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(7,233)	6,352
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	574,520	(299,920)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,043,943	3,343,863
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,618,463	$ 3,043,943

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

GREATEK ELECTRONICS INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Greatek Electronics Inc. (the "Corporation" or "Greatek") was incorporated in the Republic of China ("ROC") on March 7, 1983. The Corporation mainly provides semiconductor assembly and testing services on a turnkey basis.

The Corporation's shares have been listed on the Taiwan Stock Exchange (TSE) on October 26, 2000.

Powertech Technology Inc. (PTI) acquired Greatek's 44.09% ownership, pursuant to Greatek's board approval on December 21, 2011. On the reelection of the directors and supervisors of Greatek, PTI holds a majority of the directors seats and become parent. PTI has 42.91% ownership of Greatek as of December 31, 2019 and 2018.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved to the Board of Directors and issued on March 3, 2020.

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

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

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on accounting policies:

   1) IFRS 16 "Leases"

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

      Definition of a lease

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

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Corporation elects to apply IFRS 16 retrospectively. Comparative information is not restated.

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

The Corporation also applies the following practical expedients:

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

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

c) The Corporation excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.695%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 13,045
Less: Recognition exemption for short-term leases	-
Less: Recognition exemption for leases of low-value assets	-
Undiscounted amounts on January 1, 2019	$ 13,045
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 11,936
Lease liabilities recognized on January 1, 2019	$ 11,936

The Corporation as lessor

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

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

	Pre-adjusted Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Amount as of January 1, 2019
Right-of-use assets	$ -	$ 11,936	$ 11,936
Total effect on assets	$ -	$ 11,936	$ 11,936
Lease liabilities - current	$ -	$ 1,188	$ 1,188
Lease liabilities - non-current	-	10,748	10,748
Total effect on liabilities	$ -	$ 11,936	$ 11,936

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Corporation expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, there are no impact on assets, liabilities and equity.

3) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Corporation applied the above amendments prospectively.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS1 "Classification of Liability as Current or Non-current"	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, and

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

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

d. Foreign currencies

The financial statements are presented in the Corporation's functional currency, the New Taiwan dollar. In preparing the financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the exchange rates of Customs in every ten days. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Except for the exchange differences on transactions entered into in hedging against certain foreign currency risks, exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

e. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Corporation similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

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

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

g. Intangible assets

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

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

h. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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

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

Before the Corporation recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

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

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (included related parties), other receivables (included related parties), pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

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

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

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

j. Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions, including Indemnification payable, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k. Revenue recognition

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

Revenue from services

When the Corporation fulfilled the assembly service contract, the customer controls the goods when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation’s performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time. A contract asset is recognized during the process of semiconductor assembling and testing, and is reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, then the Corporation recognizes a contract liability for the difference. It is recognized as contract asset until the Corporation satisfies its performance.

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

l. Leasing

2019

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

1) The Corporation as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

<u>2018</u>

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

1) The Corporation as lessor

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

2) The Corporation as lessee

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

m. Government grants

Government grants are recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grants are recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which it is receivable.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Judgements

a. Business model assessment for financial assets

The Corporation determines the business model at a level that reflects how Corporations of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Corporation understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Revenue recognition

Note 4 (k) describes that the Corporation identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

c. Lease terms

In determining a lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Corporation occur.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets - 2019

The provision for impairment of accounts receivable and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Fair value measurements and valuation processes

For the Corporation's assets and liabilities measured at fair value that have no quoted prices in an active market, the Corporation should determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurement.

Information about the valuation techniques and inputs used in determining the fair values of various assets and liabilities is disclosed in Note 24.

c. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Bank deposits	$ 3,618,463	$ 3,043,943

The market rate intervals at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank deposits	0.09%-1.90%	0.13%-2.48%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Financial assets held for trading - current		
Non-derivative financial assets		
Mutual funds	$ 50,652	$ 50,376
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	3,569	625
	$ 54,221	$ 51,001
Financial liabilities at FVTPL - current		
Financial liabilities held for trading - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 26	$ 232

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amounts (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD to NTD	2020.01.09-2020.03.17	USD 11,400/NTD345,528
December 31, 2018			
Sell forward exchange contracts	USD to NTD	2019.01.10-2019.03.13	USD 11,500/NTD352,391

The Corporation entered into foreign exchange forward contracts during the 2019 and 2018 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2019	December 31 2018
Noncurrent		
Domestic investments		
Listed shares		
Ordinary shares - Powertech Technology Inc.	$ 264,470	$ 145,420

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2019

	December 31	
	2019	**2018**
Current		
Domestic investments		
Corporate bonds - 02 Taiwan Power Company 1B Bond	$ 150,388	$ -
Corporate bonds - P04 FENC 4 Bond	100,000	-
Corporate bonds - 01 TSMC 1B Bond	-	100,015
Corporate bonds - P04 Hon Hai 4C Bond	-	100,000
	$ 250,388	$ 200,015
Noncurrent		
Domestic investments		
Corporate bonds - P06 Taiwan Power Company 1A Bond	$ 300,001	$ 300,001
Corporate bonds - P07 Taiwan Power Company 1A Bond	200,001	200,001
Corporate bonds - P08 Taiwan Power Company 3A Bond	100,001	-
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,000	100,001
Corporate bonds - P06 FPC 1A Bond	100,000	100,000
Corporate bonds - 02 Taiwan Power Company 1B Bond	-	151,518
Corporate bonds - P04 FENC 4 Bond	-	100,000
	$ 800,003	$ 951,521

On October 20, 2015, the Corporation bought corporate bonds issued by TSMC, which have an effective interest rate of 0.91%; a premium value of $101,740 thousand (par value $100,000 thousand); and maturity on January 11, 2019.

On October 23, 2015, the Corporation bought corporate bonds issued by HON HAI PRECISION IND. CO., LTD., which have an effective interest rate of 1.15%; a premium value of $100,001 thousand (par value $100,000 thousand); and maturity on September 29, 2019.

On November 16, 2015, the Corporation bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of $100,001 thousand (par value $100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value $154,054 thousand (par value $150,000 thousand), and a maturity date of May 6, 2020.

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value $300,002 thousand (par value $300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value $100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of $50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value $100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of $50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value $200,001 thousand (par value $200,000 thousand), and a maturity date of May 14, 2021.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value $100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of $50,000 thousand, respectively.

Refer to Note 24 for information relating to their credit risk management and impairment.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2019	2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 63,517	$ 78,037
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 2,698,817	$ 2,569,961
Less: Allowance for impairment loss	(54,880)	(33,480)
	$ 2,643,937	$ 2,536,481

The average credit period of sales of goods was 60 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

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

The following table details the loss allowance of accounts receivables based on the Corporation's provision matrix.

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	$ 2,553,177	$ 110,353	$ 2,473	$ 2,934	$ 29,880	$ 2,698,817
Loss allowance (Lifetime ECL)	(2,219)	(17,525)	(2,322)	(2,934)	(29,880)	(54,880)
Amortized cost	$ 2,550,958	$ 92,828	$ 151	$ -	$ -	$ 2,643,937

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	$ 2,322,265	$ 184,362	$ 53,792	$ 3,523	$ 6,019	$ 2,569,961
Loss allowance (Lifetime ECL)	(6,133)	(15,943)	(4,093)	(3,428)	(3,883)	(33,480)
Amortized cost	$ 2,316,132	$ 168,419	$ 49,699	$ 95	$ 2,136	$ 2,536,481

The movements of the loss allowance of accounts receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 33,480	$ 33,480
Add: Net measurement of loss allowance	21,400	-
Balance at December 31	$ 54,880	$ 33,480

11. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 467,115	$ 503,712
Supplies	66,261	68,480
	$ 533,376	$ 572,192

The costs of inventories recognized as cost of goods sold were as follows:

	For the Year Ended December 31	
	2019	2018
Provision (reversal) of inventory valuation and obsolescence losses	$ 1,556	$ (3,196)
Unallocated overheads	$ 229,026	$ 305,435
Sales of scrapes	$ (46,848)	$ (54,274)
Operating Costs	$ 9,231,137	$ 9,098,195

12. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2018

	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Cost										
Balance, beginning of year	$ 1,192,232	$ 3,336,497	$12,975,317	$ 11,822	$ 59,334	$ 367,399	$ 570,760	$ 203,528	$ 106,326	$18,823,215
Additions	3,203	208,749	1,810,561	3,926	9,638	60,398	610,185	12,195	348,580	3,067,435
Disposals	-	-	-	(2,992)	-	-	-	-	(323,625)	(326,617)
Reclassified	-	203,528	517,831	1,778	552	13,045	(541,135)	(203,528)	-	(7,929)
Balance, end of year	1,195,435	3,748,774	15,303,709	14,534	69,524	440,842	639,810	12,195	131,281	21,556,104
Accumulated depreciation										
Balance, beginning of year	-	1,238,917	7,999,846	8,691	26,044	202,337	-	-	-	9,475,835
Additions	-	247,770	1,610,867	1,272	10,192	52,927	-	-	323,625	2,246,653
Disposals	-	-	-	(2,992)	-	-	-	-	(323,625)	(326,617)
Balance, end of year	-	1,486,687	9,610,713	6,971	36,236	255,264	-	-	-	11,395,871
Net book value, end of year	$ 1,195,435	$ 2,262,087	$ 5,692,996	$ 7,563	$ 33,288	$ 185,578	$ 639,810	$ 12,195	$ 131,281	$10,160,233

For the Year Ended December 31, 2019

	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Cost										
Balance, beginning of year	$ 1,195,435	$ 3,748,774	$15,303,709	$ 14,534	$ 69,524	$ 440,842	$ 639,810	$ 12,195	$ 131,821	$21,556,104
Additions	121,366	44,346	1,139,736	190	8,076	22,827	602,306	5,983	394,774	2,339,604
Disposals	-	-	(11,053)	-	-	(280)	-	-	(380,789)	(392,122)
Reclassified	-	12,195	633,047	1,990	-	-	(635,041)	(12,195)	-	(4)
Balance, end of year	1,316,801	3,805,315	17,065,439	16,714	77,600	463,389	607,075	5,983	145,266	23,503,582
Accumulated depreciation										
Balance, beginning of year	-	1,486,687	9,610,713	6,971	36,236	255,264	-	-	-	11,395,871
Additions	-	262,210	1,735,673	2,030	10,642	52,606	-	-	380,789	2,443,950
Disposals	-	-	(11,053)	-	-	(66)	-	-	(380,789)	(391,908)
Balance, end of year	-	1,748,897	11,335,333	9,001	46,878	307,804	-	-	-	13,447,913
Net book value, end of year	$ 1,316,801	$ 2,056,418	$ 5,730,106	$ 7,713	$ 30,722	$ 155,585	$ 607,075	$ 5,983	$ 145,266	$10,055,669

The above items of property, plant and equipment were depreciated on a straight-line basis at the following years:

Buildings	
Main plants	26 years
Mechanical and electrical power equipment	6-11 years
Others	6-51 years
Machinery and equipment	2-10 years
Transportation equipment	6 years
Office equipment	3-7 years
Other equipment	2-16 years
Spare parts	0.5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Machinery and Equipment	$ 10,661

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Machinery and Equipment	$ 1,275

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 1,208
Non-current	$ 9,540

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Machinery and equipment	1.695%

c. Material lease-in activities and terms

The Corporation leases certain machinery equipment for the use of assembly and testing service with lease terms of 14 years. The Corporation has no options to purchase the equipment for a nominal amount at the end of the lease terms.

14. INTANGIBLE ASSETS

	For the Year Ended December 31, 2018
	Computer Software
Cost	
Balance, beginning of year	$ 99,148
Additions	28,129
Reclassifications	4,220
Disposals	(2,550)
Balance, end of year	128,947
Accumulated amortization	
Balance, beginning of year	24,380
Additions	21,375
Disposals	(2,550)
Balance, end of year	43,205
Net book value, end of year	$ 85,742

	For the Year Ended December 31, 2019
	Computer Software
Cost	
Balance, beginning of year	$128,947
Additions	20,107
Disposals	(6,078)
Balance, end of year	142,976
Accumulated amortization	
Balance, beginning of year	43,205
Additions	25,181
Disposals	(6,078)
Balance, end of year	62,308
Net book value, end of year	$ 80,668

Computer software was amortized on a straight-line basis at 5 years.

15. OTHER ASSETS

	December 31	
	2019	**2018**
Current		
Tax refund receivables	$ 32,935	$ 30,495
Other receivables	29,969	22,888
Inventory of supplies	26,398	20,427
Interest receivable	6,776	8,146
Payment on behalf of others	5,670	2,497
Tax overpaid	4,131	21,485
Others (a)	6,873	7,619
	$ 112,752	$ 113,557
Non-current		
Pledged deposits (b)	$ 83,700	$ 75,000
Refundable deposits	6,905	7,061
	$ 90,605	$ 82,061

a. Other current assets include prepaid insurances, prepayments in advance, advance payments, and prepaid rents.

b. Pledge deposits are guarantee deposits for domestic sales and gas volume in CPC Corporation.

16. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Accrued expenses		
Bonus	$ 411,414	$ 453,622
Indemnification payable	55,787	99,321
Labor and health insurance	46,646	47,295
Utilities	29,928	27,543
Others (a)	237,417	210,094
	781,192	837,875
Other current liabilities		
Behalf of the collection	25,290	24,110
Temporary receipts	10,499	5,977
	35,789	30,087
	$ 816,981	$ 867,962

a. Other accrued expenses include accrued benefit retirement, services, utilization of the foreign employment security, and spare parts.

Indemnification payable are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31 2019	December 31 2018
Present value of funded defined benefit obligation	$ 440,532	$ 425,189
Fair value of plan assets	(199,881)	(189,657)
Net defined benefit liability	$ 240,651	$ 235,532

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	$ 402,992	$ (184,385)	$ 218,607
Service cost			
Current service cost	1,206	-	1,206
Net interest expense (income)	4,836	(2,213)	2,623
Recognized in profit or loss	6,042	(2,213)	3,829
Remeasurement			
Actuarial loss - changes in financial assumptions	10,766	-	10,766
Actuarial loss(gain) - experience adjustments	15,910	(5,234)	10,676
Recognized in other comprehensive income	26,676	(5,234)	21,442
Contributions from the employer	-	(8,346)	(8,346)
Benefits paid	(10,521)	10,521	-
Balance at December 31, 2018	425,189	(189,657)	235,532
Service cost			
Current service cost	1,065	-	1,065
Net interest expense (income)	4,252	(1,897)	2,355
Recognized in profit or loss	5,317	(1,897)	3,420
Remeasurement			
Actuarial gain - changes in financial assumptions	(3,790)	-	(3,790)
Actuarial loss(gain) - experience adjustments	21,204	(6,763)	14,441
Recognized in other comprehensive income	17,414	(6,763)	10,651
Contributions from the employer	-	(8,254)	(8,254)
Benefits paid	(6,690)	6,690	-
Corporation paid	(698)	-	(698)
Balance at December 31, 2019	$ 440,532	$ (199,881)	$ 240,651

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 3,108	$ 3,490
Selling and marketing expenses	$ 35	$ 63
General and administrative expenses	$ 96	$ 100
Research and development expenses	$ 181	$ 176

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

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

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

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

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

	December 31	
	2019	2018
Discount rates	0.80%	1.00%
Expected rates of salary increase	2.95%	3.25%
Mortality rate	Taiwan's life insurance industry Mining parent 5th round experience life table	Taiwan's life insurance industry Mining parent 5th round experience life table
Return on plan assets	0.80%	1.00%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (13,197)	$ (13,401)
0.25% decrease	$ 13,746	$ 13,979
Expected rate(s) of salary increase		
0.25% increase	$ 12,330	$ 12,584
0.25% decrease	$ (11,927)	$ (12,156)

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

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 8,371	$ 8,146
The average duration of the defined benefit obligation	13 years	13 years

18. EQUITY

a. Ordinary shares

	December 31	
	2019	**2018**
Numbers of shares authorized (in thousands)	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	568,846	568,846
Shares issued	$ 5,688,459	$ 5,688,459

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

There are 20,000 thousand shares reserved for employee stock options.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Share premium	$ 1,647	$ 1,647
May be used to offset a deficit only		
Donations from shareholders	350	218
	$ 1,997	$ 1,865

The premium from shares issued in excess of par and donations from shareholders may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, the Corporation should make appropriations from its net income in the following order:

1) Deducted for accumulated deficits. (include current year's adjusted undistributed earnings)

2) Appropriate the 10% as the legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply.

3) Appropriate or reverse the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.

4) The board of directors will draft a resolution declaring a dividend equaling the sum of previous years' surpluses and current year's adjusted undistributed earnings, less previous expense balances. The shareholders will ultimately decide whether the amount should be distributed as dividends or retained within the Corporation.

For information on the accrued employees' compensation and remuneration to directors and the actual appropriations, please refer to the employee benefit expense shown in Note 20 (e).

Dividends are distributed in the form of cash, common shares or a combination of cash and common shares. In consideration of the Corporation's being in a capital-intensive industry as well as the long-term development, overall environment, industrial growth characteristics, capital demand, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total of cash dividends paid in any given year should be at least 30% of total dividends distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's capital surplus. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's capital surplus, the excess may be transferred to capital or distributed in cash.

The Corporation appropriates or reverses a special reserve in accordance with Rule No.1010012865 issued by the FSC.

The appropriations of earnings for 2018 and 2017 had been approved in the shareholders' meetings on May 24, 2019 and May 29, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Year 2018	**For Year 2017**	**For Year 2018**	**For Year 2017**
Legal reserve	$ 237,545	$ 250,863	$ -	$ -
Special reserve	46,110	319	-	-
Cash dividends	1,535,884	1,706,538	2.70	3.00

The appropriations of earnings for 2019 had been proposed by the Corporation's board of directors on March 3, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share**
Legal reserve	$ 188,525	$ -
Special reserve	(46,429)	-
Cash dividends	1,308,346	2.30

The appropriations of earnings for 2019 are subject to the resolution of the shareholders meeting to be held on May 27, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 319	$ -
Appropriation in respect of		
Debit to other equity items	46,110	319
Balance at December 31	$ 46,429	$ 319

e. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (46,429)	$ (319)
Other comprehensive income recognized during the period		
Unrealized gain - equity instruments	86,070	(46,110)
Balance at December 31	$ 39,641	$ (46,429)

19. REVENUE

a. Contract information

	For the Year Ended December 31	
	2019	**2018**
Revenue from contracts with customers		
Revenue from assembly service	$ 10,188,768	$ 10,543,661
Revenue from testing service	1,841,713	1,812,773
	$ 12,030,481	$ 12,356,434

When the Corporation fulfilled the assembly service contract, the customer controls the goods when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation’s performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time.

b. Contact balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivables (Included related parties) (Note 10)	$ 3,045,577	$ 2,899,347	$ 2,921,347
Contract assets-current			
Revenue from services	$ 562,604	$ 471,025	$ 511,952
Less: Allowance for impairment loss	-	-	-
Contract assets-current	$ 562,604	$ 471,025	$ 511,952
Contract liabilities- current			
Revenue from services	$ 50,340	$ 39,323	$ 37,556

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the customer's payment

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	For the Year Ended December 31	
	2019	2018
From the beginning contract liability		
Revenue from services	$ 25,549	$ 22,346

c. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Primary geographical markets		
Taiwan (The location of the Corporation)	$ 9,299,007	$ 9,126,998
Europe	999,593	1,423,456
America	919,358	1,110,891
Asia	812,477	694,911
Africa	46	178
	$ 12,030,481	$ 12,356,434

20. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income		
Operating lease rental income	$ 4	$ 426
Interest income		
Bank deposits	29,971	21,307
Financial assets measured at amortized cost	10,059	11,298
Repurchase agreements collateralized by bonds	32	879
Dividend income	10,560	8,100
Others	32,951	27,467
	$ 83,577	$ 69,477

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net gain (loss) arising on financial instruments classified as held for trading	$ 1,655	$ (17,938)
Net (loss) gain on foreign currency exchange	(25,374)	49,044
Finance costs	(192)	-
Others	(1,821)	(2,507)
	$ (25,732)	$ 28,599

c Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 2,410,302	$ 2,208,374
Operating expenses	34,923	38,279
	$ 2,445,225	$ 2,246,653
An analysis of amortization by function		
Operating costs	$ 16,316	$ 13,947
Selling and marketing	-	-
General and administrative	3,793	5,310
Research and development	5,072	2,118
	$ 25,181	$ 21,375

d Employee benefit expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 17)		
Defined contribution plans	$ 95,526	$ 97,467
Defined benefit plans	3,420	3,829
	98,946	101,296
Other employee benefits	2,944,959	3,013,243
Total employee benefit expense	$ 3,043,905	$ 3,114,539
An analysis of employee benefit expense by function		
Operating costs	$ 2,720,804	$ 2,796,796
Operating expenses	323,101	317,743
	$ 3,043,905	$ 3,114,539

e. Employees' compensation and remuneration to directors

The Corporation accrued employees' compensation and remuneration of directors at the rates between 9% to 15% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 3, 2020 and February 25, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	10%	10%
Remuneration of directors	2%	2%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Share	Cash	Share
Employees' compensation	$ 262,911	$ -	$ 313,770	$ -
Remuneration of directors	52,582	-	62,754	-

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

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 72,842	$ 109,200
Foreign exchange losses	(98,216)	(60,156)
Net losses	$ (25,374)	$ (49,044)

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 473,059	$ 484,102
Income tax on unappropriated earnings	26,724	53,001
Adjustments for prior periods	(11,051)	4,907
Deferred tax		
In respect of the current year	12,434	6,798
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(8,272)
Income tax expenses recognized in profit or loss	$ 501,166	$ 540,536

The income tax for the years ended December 31, 2019 and 2018 can be reconciled to the accounting profit as follows:

	For the Year Ended December 31	
	2019	2018
Profit before income tax	$ 2,397,065	$ 2,915,989
Income tax expense calculated at the statutory rate	$ 479,413	$ 583,198
Nondeductible expenses in determining taxable income	(2,112)	(1,620)
Temporary differences	8,192	(8,529)
Tax-exempt income	-	(90,421)
Income tax on unappropriated earnings	26,724	53,001
Adjustments for prior years' tax	(11,051)	4,907
Income tax recognized in profit or loss	$ 501,166	$ 540,536

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

In July 2019, the President of the ROC approved the announcement of the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in certain assets or technologies above a specific amount are allowed as deduction when computing the income tax on unappropriated earnings.

b. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax liabilities		
Tax payable	$ 256,584	$ 353,296

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Balance, Beginning of Year	**The Movements of Year**	**Balance, End of Year**
Deferred Tax Assets			
Temporary difference			
Bonus	$ 17,045	$ (3,968)	$ 13,077
Provisions	19,864	(6,291)	13,573
Depreciation	10,563	(6,289)	4,274
Unrealized foreign exchange losses	1,031	4,799	5,830
	$ 48,503	$ (11,749)	$ 36,754
Deferred Tax Liabilities			
Temporary difference			
Financial instruments classified as held for trading	$ 154	$ 685	$ 839

For the year ended December 31, 2018

	Balance, Beginning of Year	**The Movements of Year**	**Balance, End of Year**
Deferred Tax Assets			
Temporary difference			
Bonus	$ 15,696	$ 1,349	$ 17,045
Provisions	12,675	7,189	19,864
Depreciation	15,878	(5,315)	10,563
Unrealized foreign exchange losses	2,979	(1,948)	1,031
	$ 47,228	$ 1,275	$ 48,503

(Continued)

	Balance, Beginning of Year	The Movements of Year	Balance, End of Year
Deferred Tax Liabilities			
Temporary difference			
Financial instruments classified as held for trading	$ 353	$ (199)	$ 154

(Concluded)

d. Income tax assessments

Income tax returns through 2017 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 3.33	$ 4.18
Diluted earnings per share	$ 3.29	$ 4.11

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Periods

	For the Year Ended December 31	
	2019	2018
Net profit attributable to owners of the Corporation	$ 1,895,899	$ 2,375,453
Effect to dilutive potential ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,895,899	$ 2,375,453

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	568,846	568,846
Effect to dilutive potential ordinary shares:		
Employees' compensation	6,641	8,455
Weighted average number of ordinary shares in outstanding computation of dilutive earnings per share	575,487	577,301

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

23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Corporation's overall strategy has no significant variations.

The capital structure of the Corporation consists of comprising issued capital, reserves and retained earnings.

Key management personnel of the Corporation review the capital structure on a annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,050,391	$ -	$ 1,054,730	$ -	$ 1,054,730

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,151,536	$ -	$ 1,156,991	$ -	$ 1,156,991

The fair value of level 2 mentioned above was used quoted price from Taipei Exchange (Taiwan GreTai Securities Market).

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 50,652	$ -	$ -	$ 50,652
Forward exchange contracts	-	3,569	-	3,569
	$ 50,652	$ 3,569	$ -	$ 54,221
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	$ 264,470	$ -	$ -	$ 264,470
Financial liabilities at FVTPL				
Forward exchange contracts	$ -	$ 26	$ -	$ 26

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 50,376	$ -	$ -	$ 50,376
Forward exchange contracts	-	625	-	625
	$ 50,376	$ 625	$ -	$ 51,001
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	$ 145,420	$ -	$ -	$ 145,420
Financial liabilities at FVTPL				
Forward exchange contracts	$ -	$ 232	$ -	$ 232

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

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 54,221	$ 51,001
Financial assets at amortized cost (Note 1)	7,834,876	7,200,860
Financial assets at FVTOCI		
Equity instruments	264,470	145,420
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	26	232
Amortized cost (Note 2)	1,359,101	904,472

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables (included related parties), other receivables and other assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to equipment suppliers and other payables.

d. Financial risk management objectives and policies

The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 52% and 53% of the Corporation's sales were denominated in currencies other than the functional currency of the Corporation entity making the sale, whilst almost 16% and 14% of costs were denominated in the Corporation entity's functional currency for the year ended December 31, 2019 and 2018. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

The Corporation use forward exchange contracts to eliminate currency exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The Corporation was mainly exposed to the currency USD. The sensitivity analysis included currency USD denominated monetary items at the end of the reporting period. For a 1% strengthening and weakening of New Taiwan dollars against US dollars, the Corporation's pre-tax profit for the year ended December 31, 2019 and 2018 would decrease/increase by $13,679 thousand and $14,006 thousand.

b) Interest rate risk

The carrying amount of the Corporation's financial assets with exposure to interest rates at the end of the reporting period was as follows. The Corporation's interest rate risk also comes from borrowings at floating interest rates.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 3,475,576	$ 2,970,351
Cash flow interest rate risk		
Financial assets	226,587	148,592

Sensitivity analysis

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the year ended December 31, 2019 and 2018 would increase/decrease by $1,133 thousand and $743 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable-rate net assets.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in financial assets classified as fair value through profit or loss (i.e. FVTPL) and fair value through other comprehensive income (i.e. FVTOCI).

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 1% higher/lower, the Corporation's pre-tax profit for the year ended December 31, 2019 and 2018 would increase/decrease by $507 thousand and $504 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTPL. If equity prices had been 1% higher/lower, the Corporation's other comprehensive income for the year ended December 31, 2019 and 2018 would increase/decrease by $2,645 thousand and $1,454 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the management of the Corporation has set credit and accounts receivable management approach to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit.

Credit risk management for investments in debt instruments classified as at amortized cost was as follow.

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed, high liquidity securities and reserve borrowing facilities adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity of non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

December 31, 2019

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Notes and accounts payable	$ 813,600	$ -	$ -	$ -	$ -
Lease liability	345	345	690	5,385	4,900
Payables to equipment suppliers	356,303	-	-	-	-
Other payables	189,198	-	-	-	-
	$ 1,359,446	$ 345	$ 690	$ 5,385	$ 4,900

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 1,380	$ 5,385	$ 3,540	$ 1,360	$ -	$ -

December 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Notes and accounts payable	$ 620,299	$ -	$ -	$ -	$ -
Payables to equipment suppliers	112,084	-	-	-	-
Other payables	172,089	-	-	-	-
	$ 904,472	$ -	$ -	$ -	$ -

b) Liquidity of derivative financial liabilities

The following table detailed the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2019

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Forward exchange contracts					
Inflows	$ 345,528	$ -	$ -	$ -	$ -
Outflows	(341,202)	-	-	-	-
	$ 4,326	$ -	$ -	$ -	$ -

December 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Forward exchange contracts					
Inflows	$ 352,391	$ -	$ -	$ -	$ -
Outflows	(352,648)	-	-	-	-
	$ (257)	$ -	$ -	$ -	$ -

25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is PTI, which held 42.91% of common shares of the Corporation as of December 31, 2019 and 2018, respectively.

Details of transactions between the Corporation and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Corporation
Powertech Technology Inc.	Parent entity
Weltrend Semiconductor, Inc. (No longer the related party of the Corporation since May 29, 2018.)	Other related parties
Realtek Semiconductor Corp.	Other related parties
Realtek Singapore Private Limited	Other related parties
Powertech Technology (Singapore) Pte Ltd.	Fellow subsidiaries
TeraPower Technology Inc.	Fellow subsidiaries

b. Revenue

Account Items	Related Parties Types	For the Year Ended December 31 2019	2018
Subcontract revenue	Other related parties	$ 1,324,964	$ 1,158,374
	Parent entity	44,826	72,383
		$ 1,369,790	$ 1,230,757

Sales transactions with related parties were made at the Corporation's usual list prices. The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

c. Contract assets

Related Parties Types	December 31 2019	2018
Other related parties	$ 36,806	$ 32,908
Parent entity	659	112
	$ 37,465	$ 33,020

For the year ended December 31, 2019 and 2018, no impairment loss was recognized for contract assets from related parties.

d. Manufacturing expenses

Related Parties Types	For the Year Ended December 31 2019	2018
Fellow subsidiaries	$ 538	$ 82,775
Parent entity	50	-
	$ 588	$ 82,775

The prices and payment terms were negotiated and thus not comparable with those in the market.

e. Operating expenses

Related Parties Types	For the Year Ended December 31 2019	2018
Parent entity	$ 800	$ 1,614
Fellow subsidiaries	297	161
	$ 1,097	$ 1,775

The prices and payment terms were negotiated and thus not comparable with those in the market.

f. Trade receivables from related parties

Account Items	Related Parties Types	December 31 2019	December 31 2018
Trade receivables from related parties	Other related parties	$ 327,284	$ 267,620
	Parent entity	10,839	17,209
		$ 338,123	$ 284,829

g. Other receivables

Account Items	Related Parties Types	December 31 2019	December 31 2018
Prepaid expenses and other current assets	Parent entity	$ 10,887	$ 9,367
	Other related parties	1,162	249
		$ 12,049	$ 9,616

h. Accrued expenses and other current liabilities

Account Items	Related Parties Types	December 31 2019	December 31 2018
Accrued expenses and other current liabilities	Fellow subsidiaries	$ 533	$ 7,301
	Parent entity	499	829
		$ 1,032	$ 8,130

i. Acquisitions of property, plant and equipment

Related Parties Types	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Fellow subsidiaries	$ -	$ 7,200

j. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term benefits	$ 87,723	$ 87,325

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral mainly for guarantee deposits for domestic sales and gas volume in CPC Corporation.

	December 31	
	2019	2018
Pledge deposits (classified as other asset - noncurrent)	$ 83,700	$ 75,000

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 56,974	29.930 (USD:NTD)	$ 1,705,220
Non-monetary items			
Derivative instruments			
USD	11,000	29.999 (USD:NTD)	$ 3,569
Financial liabilities			
Monetary items			
USD	11,231	30.030 (USD:NTD)	337,281
JPY	82,043	0.2780 (JPY:NTD)	22,808
EUR	110	33.790 (EUR:NTD)	3,707
			$ 363,796
Non-monetary items			
Derivative instruments			
USD	400	29.999 (USD:NTD)	$ 26

	December 31, 2018		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 52,069	30.665 (USD:NTD)	$ 1,596,699
Non-monetary items			
Derivative instruments			
USD	9,100	30.609 (USD:NTD)	$ 625

(Continued)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
USD	$ 6,373	30.765 (USD:NTD)	$ 196,075
JPY	57,375	0.2802 (JPY:NTD)	16,076
EUR	14	35.4 (EUR:NTD)	497
			$ 212,648
Non-monetary items			
Derivative instruments			
USD	2,400	30.609 (USD:NTD)	$ 232

(Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange (losses) gains were $(25,374) thousand and $49,044 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

28. SEPARATELY DISCLOSED ITEMS

Information about significant transactions and investees:

a. Loans provided to other parties: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (attached).

d. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 2 (attached).

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached).

i. Derivative transactions: Note 7.

j. Names, locations, and related information of investees over which the Corporation exercises significant influence: None.

k. Information on investment in mainland China: None.

29. SEGMENT INFORMATION

a. The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the financial statements. The segment revenues and operating results for the years ended December 31, 2019 and 2018 are shown in the income statements for the years ended December 31, 2019 and 2018. The segment assets as of December 31, 2019 and 2018 are shown in the balance sheets as of December 31, 2019 and 2018.

b. Revenue from major products and services

The following is an analysis of the Corporation's revenue from its major products and services:

	For the Year Ended December 31	
	2019	2018
Assembly services	$ 10,188,768	$ 10,543,661
Testing services	1,841,713	1,812,773
	$ 12,030,481	$ 12,356,434

c. Geographic information

The Corporation's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue For the Year Ended December 31		Non-current Assets December 31	
	2019	2018	2019	2018
Taiwan	$ 9,299,007	$ 9,126,998	$ 10,153,903	$ 10,253,036
Europe	999,593	1,423,456	-	-
America	919,358	1,110,891	-	-
Asia	812,477	694,911	-	-
Africa	46	178	-	-
	$ 12,030,481	$ 12,356,434	$ 10,153,903	$ 10,253,036

Non-current assets exclude financial instruments and deferred tax assets.

d. Major customers

For the years ended December 31, 2019 and 2018, sales to customers amounting were less than 10% of total gross sales.

GREATEK ELECTRONICS INC.

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

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Greatek Electronics Inc.	Fund							
	FSITC Money Fund	-	Financial assets at fair value through profit or loss - current	283	$ 50,652	-	$ 50,652	Note 1
	Bond							
	02 Taipower 1 B	-	Financial assets at amortized cost - current	150	150,388	-	150,362	Note 2
	P04 FENC 4	-	Financial assets at amortized cost - current	100	100,000	-	100,444	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost - noncurrent	300	300,001	-	302,697	Note 2
	P07 Taipower 1A	-	Financial assets at amortized cost - noncurrent	200	200,001	-	199,999	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost - noncurrent	100	100,001	-	99,999	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - noncurrent	100	100,000	-	100,497	Note 2
	P06 FPC 1A Bond	-	Financial assets at amortized cost - noncurrent	100	100,000	-	100,732	Note 2
	Stock							
	Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive profit or loss - noncurrent	2,650	264,470	-	264,470	Note 3
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 4
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 4
	Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 4

Note 1: The fair value was based on the net asset value of the fund as of as of December 31, 2019.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of December 31, 2019.

Note 3: The fair value of common shares was based on stock closing price as of December 31, 2019.

Note 4: The fair value was based on the carrying value as of as of December 31, 2019.

Note 5: As of December 31, 2019, the above marketable securities had not been pledged or mortgaged.

GREATEK ELECTRONICS INC.

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of the corporate director	Sale	$ 1,023,929	9	Net 60 days from monthly closing dates	Note	-	$ 311,225	10	-
	Realtek Singapore private limited	Same parent company with the corporate director	Sale	301,036	3	Net 60 days from monthly closing dates	Note	-	16,059	1	-

Note : Sales transactions with related parties were made at the Corporation’s usual list prices.

GREATEK ELECTRONICS INC.

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate ditector	$ 311,225	3.80	$ -	-	$ 203,302	$ -

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

GREATEK ELECTRONICS INC.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Bank deposits		
Time deposits	Expired in December 2020, interest rate were 0.09%-1.90%	$ 3,514,576
Foreign currency deposits	Including US$3,566 thousand @29.930	106,740
Demand deposits		80,451
Checking accounts		396
Pledge deposits	Pledge deposits are guarantee deposits for domestic sales and gas volume in CPC Corporation.	(83,700)
Total		$ 3,618,463

GREATEK ELECTRONICS INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Marketable Securities Type and Issuer	Shares (Thousands)	Purchased Costs	Fair Value (Note)	
			Unit Price	Amount
Non-derivative financial assets				
FSITC Money Fund	283	$ 50,000	$ 179.1	$ 50,652

Note: The fair value was based on the net asset value of the fund as of as of December 31, 2019.

STATEMENT 3

GREATEK ELECTRONICS INC.

STATEMENT OF NOTES RECEIVABLE, NET
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	$ 58,862
Others (Note)	4,655
	$ 63,517

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 4

GREATEK ELECTRONICS INC.

STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client B	$ 306,841
Client C	220,949
Client D	140,009
Client E	122,820
Others (Note)	1,908,198
	2,698,817
Allowance for impairment loss	(54,880)
Total	$ 2,643,937

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 5

GREATEK ELECTRONICS INC.

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Market Value
Raw materials	$ 467,115	$ 473,997
Supplies and spare parts	66,261	68,217
Total	$ 533,376	$ 542,214

GREATEK ELECTRONICS INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE PROFIT OR LOSS - NONCURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Marketable Securities Type and Issuer	Balance, January 1, 2019		Additions		Unrealized Gain or (Loss) On Financial Instrument	Balance , December 31 , 2019			Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Amount	Shares (In Thousands)	%	Amount	
Domestic listed common shares									
Powertech Technology Inc.	2,200	$ 145,420	450	$ 32,980	$ 86,070	2,650	-	$ 264,470	-

Note: The fair value of common shares was based on stock closing price as of December 31, 2019.

STATEMENT 7

GREATEK ELECTRONICS INC.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Chang Wah Electromaterials Inc.	$ 78,558
Fusheng Industrial Co., Ltd.	64,087
SHINKO ELECTRIC INDUSTRIES CO., LTD.	63,960
Mitsui High-tech (Taiwan) Co., Ltd.	55,818
Get-Team Tech Corp.	48,398
Others (Note)	494,503
Total	$ 805,324

Note: The amounts of individual vendors under “others” do not exceed 5% of the account balance.

GREATEK ELECTRONICS INC.

STATEMENT OF PAYABLES TO CONTRACTORS AND EQUIPMENT SUPPLIERS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Hon. Technologies, Inc.	$ 81,650
Kulicke and Soffa Industries, Inc.	74,474
Xin Tai Technology Corporation	45,269
Chroma ATE Inc.	32,498
RUDOLPH TECHNOLOGIES, INC.	23,724
Others (Note)	98,688
Total	$ 356,303

Note: The amounts of individual vendors under “others” do not exceed 5% of the account balance.

GREATEK ELECTRONICS INC.

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials used	
Balance, beginning of year	$ 503,712
Raw materials purchased	2,332,790
Raw materials, end of year	(467,115)
Others	(3,238)
Subtotal	2,366,149
Direct labor	909,662
Supplies used	598,286
Manufacturing expenses	5,177,187
Manufacturing cost	9,051,284
Transferred to manufacturing or operating expenses	(371)
Cost of finished goods	9,050,913
Transferred to manufacturing or operating expenses	(1,954)
Scraps revenue	(46,848)
Unallocated overhead	229,026
Total	$ 9,231,137

GREATEK ELECTRONICS INC.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll expense	$ 30,231	$ 62,425	$ 137,192
Commission expense	3,276	-	-
Insurance expense	1,952	5,194	10,480
Depreciation expense	607	16,581	17,735
Remuneration of directors	-	57,982	-
Impairment losses recognized on receivables	-	21,400	-
Others (Note)	11,952	45,139	37,978
Total	$ 48,018	$ 208,721	$ 203,385

Note: The amount of each item in “Others” does not exceed 5% of the account balance.

GREATEK ELECTRONICS INC.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Year Ended December 31					
	2019			2018		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	$ 2,296,223	$ 229,848	$ 2,526,071	$ 2,370,376	$ 218,239	$ 2,588,615
Labor and health insurance	214,192	16,651	230,843	210,940	14,806	225,746
Pension	90,194	8,752	98,946	93,258	8,038	101,296
Remuneration of directors	-	57,982	57,982	-	67,144	67,144
Others	120,195	9,868	130,063	122,222	9,516	131,738
	$ 2,720,804	$ 323,101	$ 3,043,905	$ 2,796,796	$ 317,743	$ 3,114,539
Depreciation	$ 2,410,302	$ 34,923	$ 2,445,225	$ 2,208,374	$ 38,279	$ 2,246,653
Amortization	$ 16,316	$ 8,865	$ 25,181	$ 13,947	$ 7,428	$ 21,375

Note 1: For the year ended December 31, 2019 and 2018, there were average 3,684 and 3,656 employees in the Corporation, which includes 7 non-employee directors.

Note 2: Companies whose stocks are listed on the stock exchange or listed on the stock counter trading center should disclose the following information:

1) The average employee welfare expense for the current year is 812 thousand ("Total employee welfare expenses for the current year-Total directors' remuneration" / "Number of employees for the current year-Number of directors who are not concurrent employees"). The average employee welfare expense for the previous year is 835 thousand ("Total employee welfare expenses for the previous year-Total directors' remuneration" / "Number of employees for the previous year-Number of non-part-time directors").

2) The average employee salary expenses for the current year is 687 thousand (the total salary expenses for the current year / "the number of employees in the current year-the number of directors who are not part-time employees"). The average salary of the previous year is 709 thousand (the total salary expenses of the previous year / "the number of employees in the previous year-the number of directors who have not served concurrently as employees").

3) Changes in the average employee salary expense adjustment -3.16% ("Average employee salary expense for the current year-Average employee salary expense for the previous year" / Average employee salary expense for the previous year).